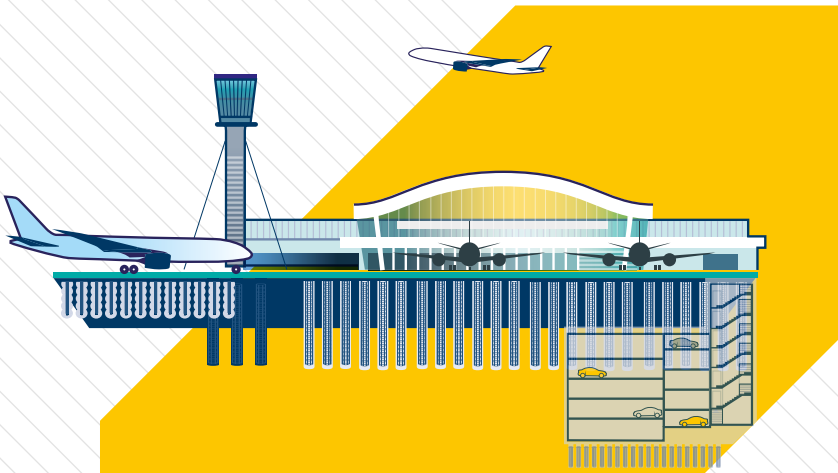




Keller Group plc
Annual Report and Accounts 2019



Global strength and local focus

Every day, people around the world live, work and play on ground prepared by Keller. Used alone or in combination, our techniques solve a wide range of geotechnical challenges across the entire construction sector.

We are the world's largest geotechnical specialist contractor. Our projects are typically for a single, local site, perhaps for a building, a basement or a bridge. But we also have the financial strength, know-how, capacity and global reach to tackle some of the largest and most demanding projects around the world. Whatever the size of the project, we have the people, expertise, experience and financial stability to respond quickly with the optimum solution, execute it safely and see it through to a successful conclusion.



www.keller.com/investors

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Highlights

Group highlights

<p>€2,300.5m  3%</p> <p>Revenue (2018: €2,224.5m)</p>	<p>€1.0bn  No change</p> <p>Order book (2018: €1.0bn)</p>
<p>€103.8m  7%</p> <p>Underlying operating profit (2018: €96.6m)</p>	<p>€21.7m  257%</p> <p>Statutory profit after tax (2018: loss €13.8m)</p>
<p>4.5%  0.2%</p> <p>Underlying operating margin (2018: 4.3%)</p>	<p>€213.1m  26%</p> <p>Net debt¹ (2018: €286.2m)</p>
<p>81.3p  3%</p> <p>Diluted underlying earnings per share (2018: 79.1p)</p>	<p>40.0p  11%</p> <p>(including supplementary dividend of 2.3p)</p> <p>Dividend (2018: 35.9p)</p>

Financial highlights

	Underlying			Statutory	
	IFRS 16 2019	IAS 17 2019	IAS 17 2018	IFRS 16 2019	IAS 17 2018
Operating profit (€m)	103.8	101.8	96.6	74.1	25.0
Operating margin (%)	4.5	4.4	4.3	3.2	1.1
Diluted earnings per share (p)	81.3	83.5	79.1	29.7	(20.6)
Return on capital employed (%)	14.4	14.9	13.2	10.3	3.4
Net debt (€m)	289.8	213.1	286.2	289.8	286.2

¹ Net debt is on IAS 17 basis. Reconciliation to statutory numbers are set out in the adjusted performance measures section on page 153.

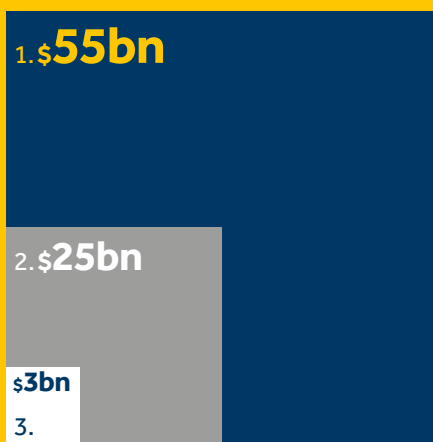
Company overview

A strong investment case

Global market

We operate in the large and growing construction and infrastructure market.

A strong position but plenty of room to grow



1. Global geotechnical contracting market \$55bn
2. Geotechnical contracting market where Keller operates today \$25bn
3. Keller today \$3bn

Sources: IHS Markit 2019, National statistics organisations, Keller accounts.

Favourable market trends

The specialist geotechnical contracting sub-sector has higher margins than the general contracting sector and favourable market trends.

4.5%

Keller underlying operating margin
(2018: 4.3%)

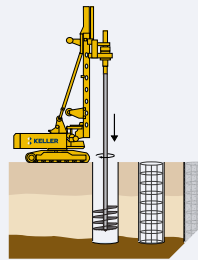
For more information
See page 6

Our expertise and reach

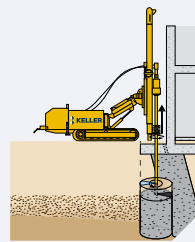
We are the number one geotechnical specialist contractor worldwide given our geographic presence and capabilities (broad product portfolio, equipment fleet, technical leadership and operational track record).

Our solutions

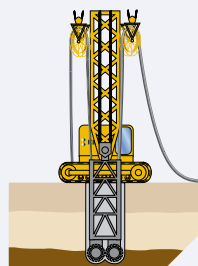
Used alone or in combination, our techniques solve a wide range of geotechnical challenges across the entire construction sector.



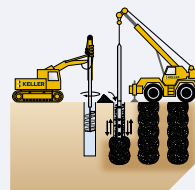
Deep foundations



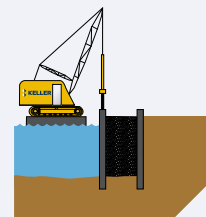
Grouting



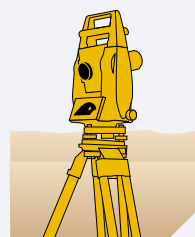
Earth retention



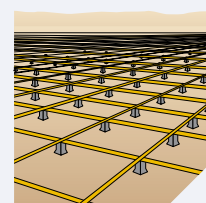
Ground improvement



Marine



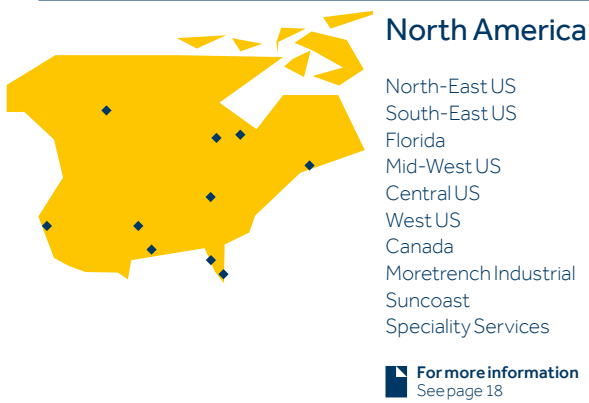
Instrumentation and monitoring



Post-tension systems

Business units

With operations across six continents and revenue of £2.3bn, Keller is the largest geotechnical contractor in the world.



Europe, Middle East and Africa

- Central Europe
- North-East Europe
- North-West Europe
- South-East Europe/Nordics
- Brazil
- Franki Africa
- Middle East
- Iberia and Latin America
- French Speaking Countries



For more information
See page 20



Asia-Pacific

- ASEAN
- India
- Keller Australia
- Austral

For more information
See page 22

A strategy to deliver

We still have many areas for improvement and a strategy to deliver the benefits.

1. A balanced portfolio
2. Engineered solutions
3. Operational excellence
4. Expertise and scale

For more information
See page 16

A stable business model

With a long-term track record of growth and value creation.

Revenue growth (£bn)



Diluted underlying EPS (p)¹



For more information
See page 10

¹ On a comparable IAS 17 basis.

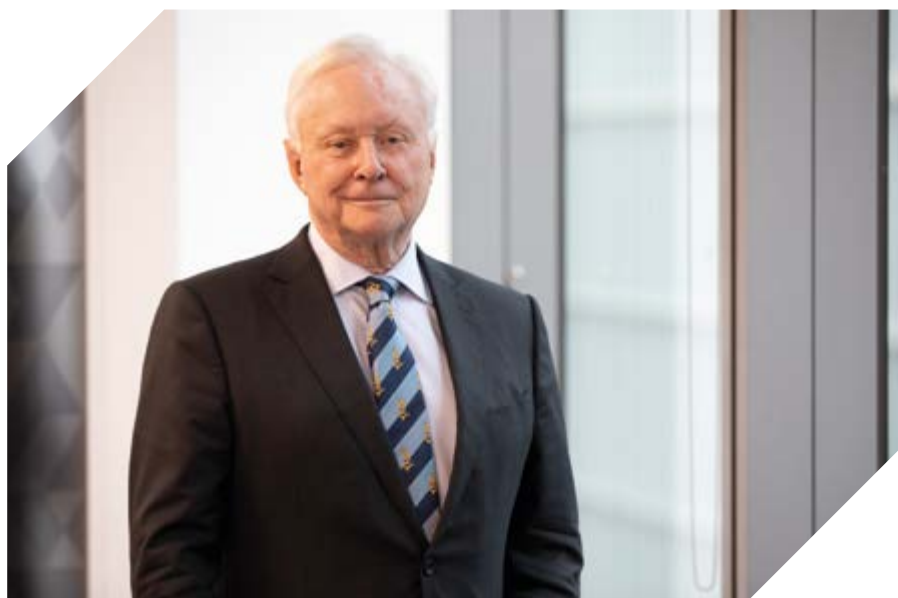
Chairman's statement



Keller has made significant progress during the year and is now well-positioned for future profitable growth.



Peter Hill
Chairman



We have consistently and materially grown Keller's dividend over the 25 years since first listing on the London Stock Exchange.

Overview

Keller has made significant progress during the year and is now well-positioned for future profitable growth. We have made a number of important decisions resulting in changes to our senior management and a revision of our strategy.

The group's revenue increased by 3% to £2.3bn, with growth in North America and EMEA, aided by favourable currency, offset by the planned reduction of activity in APAC. Underlying operating profit was £103.8m, including the impact of IFRS 16, and £101.8m on a comparable IAS 17 basis, an increase of 5% on the prior year. The increase in operating profit was in large part driven by the return to profit in APAC.

We continued to strengthen the balance sheet, ending the year with a 26% reduction in net debt to £213.1m. As anticipated, net debt/EBITDA came in within our target range of 1.0x-1.5x at 1.2x (on a bank covenant IAS 17 basis).

During 2019 we successfully refocused and restructured our APAC division, which led to the business reporting a full year profit for the first time since the merger of the previously separate Australia and Asia divisions in 2016.

Strategy

In July 2019 we announced our intention to integrate all of our foundation businesses in North America into one unified company, branded as Keller. The new structure has been effective since 1 January 2020. We have refined our initial assessment of the incremental benefit of being able to offer all products and services across North America and anticipate generating materially improved financial performance by 2022 in addition to the initial estimated cost and efficiency savings. The costs of delivering the reorganisation is being absorbed in the ordinary course of business. In the medium term, we expect the resultant market share gains, cost synergies and efficiency benefits to support our growth in North America.

Following the Board's review of the group's strategy in 2019, we defined more clearly the core activities of our business. Our objective is for Keller to become a more focused, higher quality business achieving both sustainable operational delivery and cash generation whilst building on our industry-leading margins. Keller will concentrate on being the preferred international geotechnical specialist contractor operating in

selected sustainable markets where we enjoy leading positions, and on large attractive projects. Local businesses will leverage the group's scale and expertise to deliver engineered solutions and operational excellence driving market share leadership in our selected segments.

This enhancement and sharper focusing of our strategy will result in a rationalisation of our geographic presence, and also see the group exiting certain non-core activities. We will concentrate our resources on those markets and activities where customers value our skills and expertise, where we can achieve mutual benefits and enjoy an appropriate level of financial return.

As a result, in December we announced that we will make a phased withdrawal from South America, where market conditions have proven to be challenging. This will enable us to focus more deeply on our higher quality European businesses in our EMEA division. We are also undertaking a strategic review of our Franki Africa activities and anticipate this will be fully complete by the half year.

S172 Companies Act 2006

As a Board, we have always taken decisions for the long term. Collectively and individually, our aim is always to uphold the highest standards of conduct. We understand that our business can only grow and be successful over the long term

if we understand and respect the views and needs of our employees, customers and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

For more information
See page 58

Safety

During the year, the group's Accident Frequency Rate ('AFR') continued to trend downwards, reaching 0.15 per 100,000 hours, as at December 2019. This is the lowest level achieved by the group, and we believe it to be an industry-leading performance. However, we recognise that we still have a way to go to eliminate incidents from our operations. We had a number of serious incidents last year reminding us that we cannot become complacent. The Board and management hold the safety of individuals as a paramount objective and together we continue in the pursuit of our goal of zero harm.

Governance

The group is committed to the highest levels of corporate governance. We balance our commitment to generating shareholder value with our wider responsibilities to all stakeholders, the environment and society as a whole. The new UK Corporate Governance Code came into effect on 1 January 2019, and we have taken appropriate steps to achieve compliance. The Code requires, for example, that the Board listens to the views of the workforce and takes those views into account in its decision making. We appointed Baroness Kate Rock as our designated Non-executive Director for workforce engagement in April 2019, supported by a Workforce Engagement Committee to better engage and understand the views of our employees. The Board is also looking to what more we can do to engage with our wider stakeholders developing the approach already in place today.

Ensuring we have the right mix of skills, experience and overall diversity is critically important and we reinforce this message as a Board. As a Board we support management in creating a more inclusive business that better reflects the geographic footprint of the group and the diverse workforces in our operating markets. Our Board members are exposed to the full breadth of the business, and this includes appropriate engagement with our stakeholders and proper familiarisation with the operational and commercial aspects of the business. We also acknowledge the growing importance of environmental, social and governance criteria to the business and continue to integrate these priorities into our core company functions.

Board development

Chris Girling retired from the Board and as Audit Committee Chairman on 1 January 2019 and was succeeded as Audit Committee Chairman by Paula Bell.

In September, we announced that Alain Michaelis would step down as Chief Executive Officer after more than four years with the company. After an extensive global search, Michael Speakman, Interim Chief Executive Officer and formerly Chief Financial Officer, was appointed to the position of Chief Executive Officer in December 2019. Michael has demonstrated that he has the skills we need to drive forward our newly refined strategy and make Keller a higher quality business.

Paul Withers, Senior Independent Director and Chairman of the Remuneration Committee, gave us notice in December 2019 of his intention to retire from the Board at the conclusion of the Company's Annual General Meeting to be held on 21 May 2020, having served on the Board for eight years. Paul has stepped down as Senior Independent Director and Chairman of the Remuneration Committee with effect from 1 January 2020. Baroness Kate Rock, Non-executive Director and Chairman of the Workforce Engagement Committee, was appointed Senior Independent Director and Eva Lindqvist, Non-executive Director, was appointed as Chairman of the Remuneration Committee, both effective from 1 January 2020.

We continue to review the Board's composition to ensure that we have the correct balance of experience, diversity and skills to drive our effectiveness. Concurrent with the retirement of Paul Withers, collectively, we have agreed that it is the right time to move to a more conventional plc board structure, by reducing the number of executive directors. Accordingly James Hind and Venu Raju will not stand for re-election as Executive Directors at the Company's Annual General Meeting on 21 May 2020. James and Venu will remain members of Keller's Executive Committee, retaining their current executive responsibilities as President of North America and Engineering and Operations Director, respectively. James will continue to play an important role in actively contributing to the Board's discussions and Venu, with his knowledge of the core of our business, geotechnical engineering, will remain a regular attendee at Board and Committee meetings.

Dividends

Keller has consistently and materially grown its dividend over the 25 years since first listing on the London Stock Exchange and the Board continues to recognise the importance of returns to shareholders. Keller has strong cash generation and a robust balance sheet, which together support our ability to continue to increase the dividend sustainably through market cycles. This strong cash flow has again been demonstrated by our deleveraging in the second half of 2019. Net

debt/EBITDA came in within our target range of 1.0x-1.5x at 1.2x (on a bank covenant IAS 17 basis).

The Board is committed to maintaining an efficient balance sheet and regularly reviews the group's capital resources in light of the medium-term investment requirements of the business and will return excess capital to shareholders as and when appropriate. The Board announced in December that it intends to maintain the current progressive dividend policy and in addition to the normal 5% increase to the annual ordinary dividend of recent years, the Board intends to pay a non-recurring supplementary dividend of 2.3p per share for 2019 and of 4.4p per share for 2020. This brings the 2019 full year dividend to 40.0p per share for 2019 (2018: 35.9p), a year on year increase of 11%, and to 44.0p per share for 2020. Once approved, the recommended 2019 final dividend of 27.4p per share (2018: 23.9p per share) will be paid on 26 June 2020 to shareholders on the register as at the close of business on 5 June 2020.

Employees

I would like to thank all of Keller's employees for their commitment, hard work and determination. Their continuing drive for improvement, while acting in accordance with our vision and values, is key to how we make a real and positive difference.

Prospects

Whilst market conditions are expected to remain mixed in the short term, with many macroeconomic uncertainties impacting the timing of customer investment decisions, the year has started well and the group is well positioned to benefit from the positive medium and long term market trends of urbanisation and infrastructure growth.

Following the Board's review of the group's strategy, Keller will become a more focused, higher quality business achieving both sustainable operational delivery and cash generation whilst building on our industry-leading margins. The Board's decision to return excess capital to shareholders in the form of supplementary dividends for the financial years 2019 and 2020 evidences the Board's confidence in the group's prospects.



Peter Hill CBE
Chairman
3 March 2020

Our market

Creating infrastructure that improves the world's communities

Our vision

To be the leading provider of specialist geotechnical solutions.

Market potential

Favourable market trends in the geotechnical contracting market offer positive opportunities for Keller. Our group strategy is designed to capitalise on those trends. Our business units leverage the group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership.



Global market

This is defined as the geotechnical contracting market within the construction industry. It includes China, Japan, Korea and Russia – markets where we don't operate. If removed, the market size drops to \$25bn. It is an estimate based on data from IHS Morkit and other local sources. Typically geotechnical contracting is around 1% of the construction market.

\$55bn

global geotechnical contracting market

For more information
See page 2





Wide variety of projects

Our projects vary in scale, location, end use and geotechnical technique. Scale is from around £25k up to more than £100m but typically short duration and an average of £325,000. Locations are spread all around the globe. End use covers a wide range of sectors and products.

c.7,000
projects per year



Diverse customer base

Typically no single customer is more than 5% of group revenues in a single year. We mostly serve as a subcontractor working for a general contractor; however, sometimes we also contract directly with ultimate client organisations.

5%
sales from a single customer



Fragmented competition

We have three types of competitor with a large variation between geographies. Type one is the global geotechnical contractor (of which there are three) but not all are present in all markets. Type two is general contractor-owned. Type three is local competition with low overhead operating in a small region.

£325k
approximate average project size



Niche sub-sector

Geotechnical solutions are a small, niche sub-sector of construction.

3%
global construction growth

Source: PwC Global Construction Report

Our value stream

We are unique in that our global strength and knowledge is joined with our local presence and focus.

What we do:

Opportunity identification

- Local businesses with relationships (general contractors, consulting engineers and developers) and knowledge to identify demand
- A global network to support cross-border collaboration (major projects typically involve cross-border demand identification and capture)



Our sectors

Share of our 2019 revenue

- Infrastructure/public buildings 33%
- Power/industrial 24%
- Office/commercial 20%
- Residential 21%
- Marine 2%



Favourable market trends

While we are the world's largest geotechnical specialist contractor, we still have potential to grow with the global construction market and improve our business.

Infrastructure renewal

As populations grow and infrastructure ages, there's an imperative to invest in new and greater capacity. Given its complexity, the geotechnical solution is often sophisticated. Large-scale and cramped metropolitan environments often present technical challenges.

We have the resources and skills to deliver to this scale and complexity. Our reputation for delivery and proven ability to team up with our customers and partners mean we excel in this market.

Proposal preparation

- Design engineers and cost estimators with local ground knowledge and capacity to create optimum solutions
- Market-leading portfolio of products and services
- A global network of professionals to support any team with solution development

Contract agreement

- Commercial teams who set up contracts trained in relevant local laws
- Experience of large-scale project contracting and group scale make Keller a reliable partner in even the most demanding circumstances

Project execution

- Product-specific operations teams and equipment with capacity to deliver efficiently and effectively (to quality and schedule) and respond to any issues arising
- Flexibility to move equipment and resources between markets to match local demand

Feedback and learning

- Project leadership focused on achieving client sign-off and securing payment
- Lessons learnt are retained and transferred to the rest of the group (eg Engineering and Operations teams transfer learning on techniques and productivity improvements)



Demand for complete solutions

Geotechnical solutions increasingly require multiple products and additional services (eg site clearing, excavation works). At the same time, customers want to reduce the burden of managing many different contractors and reduce interface risk.

Keller's broad product portfolio gives us more options to design an effective and efficient solution. Our project management capabilities mean we can integrate other subcontractors and deliver 'turnkey' contracts.

Technical complexity

The construction market is becoming more digital and our sites are increasing in sophistication and complexity.

Keller has a strong history of innovation. We leverage our in-house equipment manufacturing capacities and develop market-leading data acquisition systems to control and record our processes, and share information with our customers and the rest of the supply chain. We can integrate instrumentation and monitoring solutions and are Building Information Modelling ('BIM') capable.

Urbanisation

As cities expand they require more sophisticated solutions. Larger, taller structures need more technically demanding foundations to withstand the building loads and provide resilience against climate change and acts of nature such as rising water levels or earthquakes.

Keller has the largest network of any geotechnical contractor, putting us in nearly all major metropolitan areas around the world. And we offer new and sustainable techniques for working in urban areas.

Development land shortage

There is a desire to convert more brownfield and marginal land. Geotechnical solutions are at the fore in releasing the development potential of otherwise sterile or derelict areas.

Our world-leading geotechnical engineering team, near shore marine capability, and broad portfolio, means we can cope with the most complex challenges when working on brownfield or marginal sites.

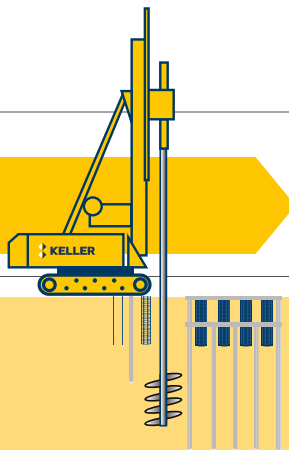
Our business model

Our market position

Contractor landscape

Project lifespan

KELLER



General contractor



Ground engineering by Keller

- ◆ **Early stage**
Keller is often contacted by clients and consultants to provide advice on upcoming projects, providing early visibility of the project pipeline.
- ◆ **Lower cyclicality**
We work in all sectors of construction and in different regions, meaning less exposure to particular market cycles.
- ◆ **Specialist design capability**
Keller offers specialist design, providing cost-effective alternatives, rather than just installing off-plan.
- ◆ **A mix of contracts**
Keller's contracts can be large, complex and last several years, but most are typically measured in weeks and months. We have an average project size of £325,000.
- ◆ **Higher margin**
Our specialist work demands higher margins than general contracting.
- ◆ **Resource base**
We own our plant and equipment and have positive working capital and relatively high capex. We manage our workforce directly.





General construction by our partner contractors

- ◆ **Longer, larger projects**
General contractors tend to execute a smaller number of larger contracts per year.
- ◆ **National focus**
Contractors tend to be national or even regional, restricting opportunities, which magnifies the market cycle in that region.
- ◆ **Higher cyclicality**
Some general contractors choose to focus on one sector.
- ◆ **Resource base**
General contractors generally have a low asset base and low to negative working capital. Their workforce is generally subcontracted.
- ◆ **Value engineering**
Depending on the client, general contractors do not always get the opportunity to have a design input.
- ◆ **Subcontracting**
General contracting requires the integration of multiple suppliers and subcontractors.

Our way of working

<p>Value engineering</p> <ul style="list-style-type: none"> Industry-leading geotechnical design engineers Full Computer Aided Design ('CAD') and Building Information Modelling ('BIM') capability Innovation shared across the Keller globe 	<p>Full product range</p> <ul style="list-style-type: none"> A broad range of geotechnical techniques Over 1,200 rigs and cranes 	<p>Global network, local presence</p> <ul style="list-style-type: none"> Large branch network Knowledge of local soils and conditions Global capability to deliver the largest projects 	<p>Best practice knowledge and asset sharing</p> <ul style="list-style-type: none"> Access to global experts and Keller best practice Global product teams Sharing of resources across borders Leaders in data acquisition Investment in research and development
<p>Government and regulators</p> <ul style="list-style-type: none"> Contribute to developing codes and standards Present on national trade bodies 	<p>Employees</p> <ul style="list-style-type: none"> High levels of knowledge and expertise Low staff turnover Global training standards 	<p>Safety and sustainability</p> <ul style="list-style-type: none"> Continuing to improve our Accident Frequency Rate ('AFR') Acting responsibly Reducing our carbon footprint 	

Our stakeholders

<p>Employees </p> <p>10,000 (employed globally)</p>	<p>Customers </p> <p>7,000 (contracts)</p>	<p>Shareholders </p> <p>£28.8m (total proposed full year dividend)</p>	<p>Communities </p> <p>B CDP score¹ (above global average)</p>
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Outcomes

<ul style="list-style-type: none"> Local and global opportunities Development and training Long-term employment opportunities 	<ul style="list-style-type: none"> Benefit from global strength and local focus Provision of cost-effective geotechnical solutions 	<ul style="list-style-type: none"> Stable business with a long-term track record Continued growth opportunities 	<ul style="list-style-type: none"> Sustainable commitments Charitable events Local employment
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¹ CDP is one of the world's largest environmental stewardship disclosure projects, focusing on our impacts and work on climate change.

The Keller Way

Our values are what we have judged as most important to how we work with colleagues and customers across the globe.



Related information

<p>Sustainability</p> <p> For more information See page 39</p>	<p>Governance</p> <p> For more information See page 47</p>	<p>Principal risks</p> <p> For more information See page 30</p>
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Chief Executive Officer's statement



Keller is a great company with a long, proud heritage of geotechnical achievement. The people in the Keller team are fantastic and are the source of these great achievements. It is my privilege to work with this talented and committed group of people, and assist them to develop the group's future legacy of achievements.



Michael Speakman
Chief Executive Officer



The group made good progress in 2019, with the restructuring and return to profitability in APAC, together with a significant reduction in debt, underpinning the financial performance of the group and the group achieving further important improvements in safety.

Overview

The group made good progress in 2019, with the restructuring and return to profitability in APAC, together with a significant reduction in debt, underpinning the financial performance of the group and the group achieving further important improvements in safety. These achievements helped to counter the year on year impact of the previously announced conclusion of the major projects in EMEA, some margin dilution in North America and mixed conditions in some of the group's markets. Looking ahead, the fundamental strengths of the company and sound dynamics of our markets mean that Keller is well placed to exploit the refined strategy announced by the Board and become a more focused, higher quality business with industry-leading margins, achieving both sustainable operational delivery and cash generation.

Safety

The safety of our employees is at the very top of our agenda and whilst we continue to make progress in this area we will not be satisfied until we achieve and maintain our goal of zero harm.

We continue to make substantive progress with strong, industry-leading performance. In 2019, we recorded a 21% improvement in our overall Accident Frequency Rate (AFR) and 14% reduction in our Total Recordable Incident Rate (TRIR). Over a five year period, we have recorded a 62% decrease in our recorded AFR down to 0.15 incidents per 100,000 hours worked in 2019, an all-time low for the group. Whilst we experienced no fatalities in 2019, regrettably the number of major injuries suffered has increased year on year, from 15 in 2018 to 17 in 2019, and this is a key area of focus for 2020. One of our focus areas in 2019 was rig overturns and pleasingly we have seen a significant reduction of these incidents from eight in 2018 to three

in 2019 as a result of the implementation of our industry leading 'platform standard', which details the minimum acceptable ground conditions on which rigs are permitted to operate.

At the beginning of 2020 we launched a new global incident management system as part of our quest for zero harm. The data gathered will help improve our understanding of all incidents, thus enabling us to make better decisions on where we need to direct our efforts. This is one of several initiatives that we have recently launched and that will gain traction in 2020. We have the opportunity to leverage our experienced and skilled safety resources across our global footprint.

Financial performance

The group revenue for 2019 was £2.3bn (2018: £2.2bn), a nominal increase of 3% over the prior year, driven by the benefit of foreign exchange and the full year effect of the acquisition of the Moretrench business in North America in the first quarter of 2018. Revenue was otherwise flat, with growth in North America and EMEA offsetting the planned reduction of volume in APAC as a result of restructuring activities.

Underlying operating profit was £103.8m (IFRS 16 basis). Underlying operating profit on an IAS 17 basis was £101.8m (2018: £96.6m), an increase of 5%. The benefit of favourable foreign exchange rates and the full year effect of the Moretrench acquisition were mitigated by a 1% organic decline, with the return to profitability in the APAC region offset by lower margins in North America and the conclusion of two large EMEA projects. Underlying diluted earnings per share on a comparable IAS 17 basis increased by 6% to 83.5p per share (2018: 79.1p per share).

Strong cash flow during the final quarter of the year resulted in a reduction in net debt to £213.1m (2018: £286.2m) equating to a debt leverage of 1.2x (2018: 1.7x) (on bank covenant IAS 17 basis) comfortably within our target range of 1.0x-1.5x. The year end net debt included approximately £40m of positive working capital timing benefits which will partially reverse in 2020.

Our return on capital employed (ROCE) of 14.4% was above 13.2% recorded in 2018, driven by higher profitability and a lower asset base.

As previously announced, the Board intends to maintain the current progressive dividend policy and in addition to the normal annual 5% increase is recommending a non-recurring supplementary dividend of 2.3p per share for 2019 and of 4.4p per share for 2020. This brings the 2019 full year dividend to 40.0p per share for 2019 (2018: 35.9p), a year on year increase

of 11%, and to 44.0p per share for 2020. Once approved, the 2019 final dividend of 27.4p per share (2018: 23.9p per share) will be paid on 26 June 2020 to shareholders on the register as at the close of business on 5 June 2020.

The Board remains committed to maintaining an efficient balance sheet and since the group was listed in 1994 we have maintained a year on year increase in dividends, reflecting the strong cash generating characteristics of the group.

Operating performance

North America benefitted from the full year effect of the acquisition of the Moretrench business in March 2018, the anticipated recovery of margins in Suncoast, predominantly from the high rise part of the business, and a year on year volume increase. Offsetting these increases were the adverse effects of a lower volume of high margin data centre and emergency work, and an increase in loss making contracts, which are being addressed.

The reorganisation and rebranding of our foundation businesses in North America is progressing well, with the new structure effective as of 1 January 2020, and, whilst it is early days, we believe the new structure will generate a materially improved financial performance by 2022. The costs of implementing the reorganisation are expected to be approximately £3.0m and are being absorbed by the division through 2019 and 2020 in the ordinary course of business. In the medium term, we expect cost synergies and efficiency benefits of £4.5m to £6.0m per annum. More importantly, we anticipate a gain in market share supporting our continued growth in North America.

In EMEA, year on year profitability declined due to the completion of two large, high margin projects in 2018. Excluding these two projects, the year on year underlying EMEA performance improved, largely due to Central Europe and South East Europe, with the most notable exception being Franki Africa where performance declined year on year. The UK, which represents less than 3% of overall group revenue, was adversely impacted by the political uncertainty around the government election and Brexit which created a hesitant investment climate for most of 2019. Whilst the High Speed Two (HS2) project has now received government approval and we have been engaged on the early contractor stage on two sections, we do not anticipate receiving any material benefit before 2021.

Our APAC division is fully restructured and refocused and, as a result, returned to profit in the second half of the year and reported a full year

New incident management system

Keller has launched a new global incident management system that's easy to use, offers in-depth analysis and will help improve our health, safety and environmental standards

With a user-friendly interface and enhanced analytics, the new system will vastly improve our understanding of the incidents that occur.

It's also aligned to Keller's relaunched Incident Management Standard which will ensure people properly contain, report and investigate incidents, understanding their root cause, and implementing any corrective actions.

The system also makes it quicker and easier for users to report incidents, in their own language, with simple-to-use checkboxes and dropdown menus. And the whole process can be completed from site in a few minutes by a mobile app. The excellent reporting and analytics function then enables a more granular understanding of incidents.



▶▶ **The most important thing is to try and prevent incidents happening, but if they do happen, it's vital we report them. The more information we have, the more we can understand what is happening across the group, and the more we can feed back into proactive programmes to improve.**

▶▶ **John Raine**
Group HSEQ Director

Chief Executive Officer's statement

continued

profit, a first for the combined APAC division since the merger in 2016 of the previously separate Australia and Asia divisions. This success underlines the appropriateness of the actions that we took at ASEAN and Waterway, and endorses the way in which our plans were executed. In ASEAN we have exited the heavy foundation activities in Singapore and Malaysia, whilst in Australia the loss-making Waterway business has been closed.

Strategy

Our vision is **to become the leading provider of specialist geotechnical solutions** and, following the Board's review of the group's strategy, we have defined more clearly our core activities. Our objective is for Keller to become a more focused, higher quality business achieving both sustainable operational delivery and cash generation whilst building on our industry-leading margins.

We will concentrate on being the preferred international geotechnical specialist contractor focused on **sustainable markets and attractive projects**, generating long-term value for our stakeholders. Our local businesses will leverage the group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

To maintain a **balanced portfolio** we must select sustainable markets, both by geography and products, in which to set up base businesses that will be profitable through the cycle, and supplement this base business with selective, opportunistic attractive projects. We will seek to exploit customer-focused growth opportunities, both organic and through acquisition, and to command a leading share in our chosen markets.

As an experienced specialist geotechnical contractor, we are well equipped to deliver value to customers by providing technically robust and cost-competitive solutions. We do this by offering alternative designs and **engineered solutions** that meet customers' specifications whilst reducing costs.

Whatever construction brief the customer selects for a project, strong operational execution is imperative to remain competitive, and therefore **operational excellence** is at the core of the group. We strive to continuously excel operationally and provide safe, on time and high quality delivery of projects. Continuous, incremental improvements will ensure that we remain competitive in our chosen markets.

Our local businesses can leverage the strength of the group by exploiting the **expertise and scale**

and sustainability of Keller's global processes and resources. This means access to a strong balance sheet and knowledge base across the group, as well as generating benefit from higher utilisation of people and assets. Being a global group we can work to share best practice in operations, technical knowledge, governance and compliance.

Strategic priorities for 2020

The revised strategy will lead to a more focused, higher quality business with industry leading margins, achieving both sustainable operational delivery and cash generation. This enhancement and greater focus will result in the group rationalising its geographic presence and exiting certain non-core markets and activities. We will concentrate our resources on those markets and activities where customers value our skills and expertise to achieve mutual benefits including an appropriate level of financial return.

As a result, we announced in December that we will make a phased withdrawal from South America, where market conditions have proven to be challenging. This will allow the management team to concentrate on our higher quality European businesses within our EMEA division. The withdrawal process is underway and a number of alternative options are in the process of being evaluated in order to select the most appropriate exit for each operation. It is anticipated that this activity will be progressively executed during the coming year.

The first phase of the strategic review of our Franki Africa business has been completed and the second phase has commenced which will be completed by the end of the first half of 2020. The business has faced, and continues to face, challenging market, economic and political conditions in a number of the countries in which it operates. Despite the significant cost reductions carried out in 2019, the business in its current form is unable to deliver the required margins and returns and alternative structures and options are being evaluated. There remain major potential contract opportunities in the region, particularly in the oil and gas sector, and our ability to compete for and execute these will be taken into account in determining how we are able to deliver satisfactory returns overall.

In North America, now that the reorganisation and rebranding of our foundation businesses has been completed we will be focusing on honing the structure and processes of the new organisation to ensure that we realise the fixed cost and operational efficiencies anticipated in our plan. We will also continue the process of assessment and prioritisation of the investment required to



€103.8m
Underlying operating profit
Up 5%

€213.1m
Net debt¹
Down 26%

¹ Net debt is on IAS 17 basis

realise the incremental benefit of being able to offer all products and services across the whole of North America. This revenue growth will take longer to deliver than the cost and efficiency savings but will be more material in value.

Across the whole group there will be an increased emphasis on performance management in respect of all the activities of the business, particularly projects and business units. Through the improving of management reporting processes, project performance management and other governance improvements, we will place increased importance on realising appropriate rewards. These measures will be enhanced by investing more into the 'people' development initiatives in the group, especially in respect of leadership and talent development.

Teams and employees

The knowledge, expertise and experience of our people, and the way our teams work together to deliver a successful project, is the hallmark of Keller. It is why customers value us as a specialist geotechnical contractor, and how we generate value for all of our stakeholders. I would like to acknowledge and thank all of Keller’s employees for their commitment, hard work and expertise during the year.

Outlook

2019 was a significant year of decisive progress for Keller. The return to profit in APAC and the group’s strong cashflow generation underpinned the improved financial performance in the year, which was in line with expectations. Our more focused strategy will ensure that Keller evolves in the future to become a more efficient, higher quality business.

Whilst we are cautiously optimistic and expect another year of continued progress for Keller, supported by our robust order book, we remain cognisant of challenging global macroeconomic conditions and the potential indirect impact of COVID-19. The group’s leading market positions will allow us to benefit from the medium term market trends of urbanisation and infrastructure growth, and we expect to continue to deliver shareholder returns through anticipated growth in underlying profits and our progressive dividend policy.



Michael Speakman
Chief Executive Officer
3 March 2020

Improving project performance

Project lifecycle management (‘PLM’) was launched across Keller in late 2019 to help reduce risk and deliver more profitable projects.

Each year Keller delivers over 7,000 projects of varying size and complexity. The financial performance of the group relies upon the delivery of these projects safely, profitably and in line with customer expectations.

PLM is a global standard that sets out minimum control requirements for approval, review and monitoring of all Keller projects, and combines existing best practice from across the group.

In particular, PLM drives an increased focus on understanding project risks, especially on larger, more complex, or unusual projects, throughout their whole life. This will help us understand what can go wrong, plan mitigation actions and monitor the effectiveness of these mitigations until project completion.

Business units have been familiarising themselves with the standard, ready for progressive implementation during 2020. Once PLM is initially embedded in its current form, future enhancements will include delivery through a digital platform, project audits and other improvements captured from project team feedback.



▶▶ **The introduction of PLM is an important first step in driving improved processes in project performance management. It will enable us to better understand the project risk landscape and ensure that specific risks are considered at the time of tender, factored into the pricing of bids and monitored throughout the life of the project.**

▶▶ **Venu Raju**
Group Engineering and Operations Director

Our strategy

Keller's strategy is to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects. In 2019, we continued to make progress in generating sustainable long-term value for our stakeholders.

Strategic lever

What we achieved in 2019

A balanced portfolio

Strong, base businesses in sustainable markets, and attractive projects.

- Completed restructuring of our ASEAN and Waterway businesses.
- Integrated all of our foundation businesses in North America.
- Austral won its largest ever contract worth c£70m in Cape Lambert, Western Australia.
- Secured instrumentation and monitoring and early works contracts on HS2 in the UK.
- Won a major contract award as part of the Sandbukta-Moss-Sastad rail project in Norway valued at c.£36m

Engineered solutions

The best, most cost and time-effective solutions, backed by innovation and digitisation.

- Delivered more than 7,000 projects.
- Introduced d-wall into Canada, completed first marine project in India, and our first rigid inclusions project in the Netherlands.
- Introduced innovative new Vibro rig with double-lock system to improve productivity and launched S-Alpha Dive – a new submersible vibro system for offshore projects.
- Our work on Folloline in Norway earned us an Award of Merit in the Engineering News-Record Global Best Projects competition.

Operational excellence

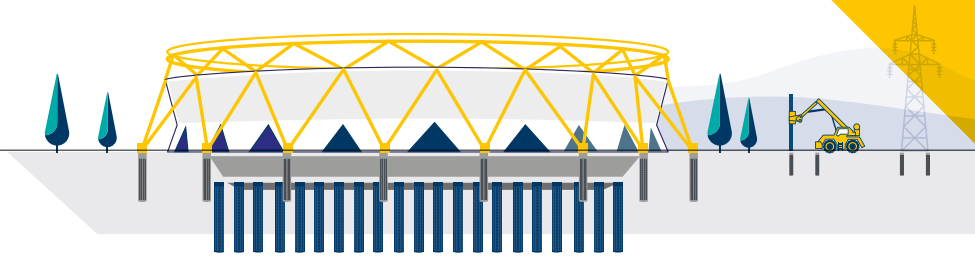
Safe, efficient, on-time and high quality delivery and a relentless drive to improve.

- Reduced our Accident Frequency Rate further, achieving an all-time low for the group.
- Working platform safety standard helped reduce rig overturns from eight to three.
- Launched new Incident Management Standard and system.
- Continued to roll out LEAN and introduced 5S to more of our yards.
- Piloted InSite, a new daily field reporting app to improve focus on safety and cut administration.
- Launched Project Lifecycle Management to help reduce risk and deliver more profitable projects.

Expertise and scale

Development of our people, processes and assets and leverage of our global strength.

- Our global product teams continued to set and drive up standards in their particular techniques.
- Made good progress with KellerDAQ, helping standardise how we get and process equipment data.
- Formed new Workforce Engagement Committee to ensure voice of the employee is considered in the boardroom.
- Our best-in-class global Project Manager and Field Supervisor training programmes gathered pace and we piloted a new leadership programme.
- Improved our internal control environment and risk management processes.



Outlook

We will:

- Exploit opportunities for growth, both organic and through acquisition.
- Look at rationalising our geographic presence further and exiting certain non-core activities.
- Make a phased withdrawal from South America and complete a strategic review of Franki Africa.
- Hone the structure and processes of our new organisation in North America.

We will:

- Continue to offer our customers alternative designs and engineered solutions that meet their specifications whilst reducing costs.
- Drive targeted new products to market.
- Innovate around equipment to improve utilisation.

We will:

- Make continuous, incremental improvements to remain competitive in our chosen markets.
- Improve management of reporting, with increased emphasis on realising appropriate rewards.
- Embed Project Lifecycle Management to ensure risks are considered during tenders, factored into bids and continually monitored.
- Reinvigorate our Think Safe programme, concentrating on job planning and control of our major risks – our Work Safe 6.

We will:

- Drive group-led initiatives and business improvement projects that add value to our local businesses.
- Continue to share best practice in operations, technical knowledge, governance and compliance.
- Invest more into people development initiatives, particularly leadership and talent development.
- Introduce more formal arrangements for wider employee engagement.

KPIs

Revenue growth year on year

year-on-year sales growth, including acquisitions

3%
(2018: 7%)

↓
4%

Return on capital employed

underlying operating profit as a net return on capital employed

14.4%
(2018: 13.2%)

↑
1.2%

Operating margins

underlying operating profit expressed as a percentage of revenue

4.5%
(2018: 4.3%)

↑
0.2%

Accident frequency rate

accident frequency per 100,000 hours; lost time injuries are calculated as any incident over one day

0.15
(2018: 0.19)

↓
21%

North America



We expect the reorganisation of our North American business – being able to offer all products and services across North America – to generate a materially improved financial performance by 2022.



James Hind
 President, North America

Business units

North-East US
South-East US
Florida
Mid-West US
Central US
West US
Canada
Moretrench Industrial
Suncoast Post-Tension
Speciality Services



KPIs

Revenue (£m)	
2019	1,333.9
2018	1,161.4
Underlying operating profit (£m)	
2019	77.3
2018	78.6
Underlying operating margin (%)	
2019	5.8
2018	6.8
Order book	
2019	590.9
2018	541.6
Accident frequency rate	
2019	0.11
2018	0.11



	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m	Constant currency
Revenue	1,333.9	1,333.9	1,161.4	11%
Underlying operating profit	78.6	77.3	78.6	(6%)
Underlying operating margin	5.9%	5.8%	6.8%	n/a
Order book	590.9	590.9	541.6	14%

In North America, revenue increased by 11%, on a constant currency basis, with 8% organic growth and 3% attributable to a full year benefit of the Moretrench business which was acquired during the first quarter in 2018. On an IAS 17 reported basis, underlying operating profit was £77.3m, down 6% with a margin decline in the US foundations businesses and softness in Canada partly offset by increased profit in Suncoast. The underlying North America operating margin decreased to 5.8% from 6.8%.

In 2019, total construction spend in the US was flat on the prior year. Public and non-residential

expenditure on construction grew whilst private residential declined.

The US foundation business increased revenue, driven by strong growth at Hayward Baker and HJ Foundation offset by declines at Bencor and Case. Operating profit declined due to the non-repeat of prior year levels of higher margin emergency work and data centre projects. In addition, 2019 was adversely impacted by a number of problematic contracts which are being resolved. As anticipated, Bencor benefitted in the second half from the resolution of the claim for compensation for a scope adjustment on a large long term contract.

Our Canadian operations have been challenged by continuing softer market conditions, specifically in the Prairies market where there is no sign of a near term return of investment in natural resources. Accordingly, we have recognised an impairment charge of £20.2m in 2019 against the carrying value of the Canadian goodwill. Elsewhere in Canada performance has been mixed, however we still believe in the strategic potential for the business and we have appointed a new management team to explore attractive and sustainable growth opportunities.

Suncoast, the group's post-tension business which mainly serves the residential construction market, performed strongly, with revenue up by 16% and a significant increase in operating profit. As anticipated, this was driven by our ability to pass on the price increase in steel experienced in 2018 to our customers in the high rise sector. The business produced and sold record volume in 2019 and this strong performance has continued in the early part of the new year.

The Moretrench Industrial business benefitted from some highly profitable projects and is now fully integrated into the North American division following its acquisition in March 2018.

In July we announced the plan to reorganise our North American business by integrating our seven foundation businesses (Bencor, Case, Hayward Baker, HJ Foundation, Keller Canada, McKinney and Moretrench) and branded Keller. This new structure came into effect on 1 January 2020. The new organisation is managed as eight business units, seven geographically based, each with similar revenue and offering the full product portfolio. The eighth offers specialty services that were previously only offered from a limited number of offices. We expect this reorganisation, offering our full range of products and services into the whole of our North American geographic footprint, to drive revenue growth in the future, generating a materially improved financial performance by 2022. The costs of delivering the reorganisation are expected to be approximately £3.0m and are being absorbed by the business through 2019 and 2020 as part of normal operating costs. In the medium term, we expect cost synergies and efficiency benefits in the range of £4.5m to £6.0m per annum. More importantly, we anticipate a gain in market share to support our continued growth in North America.

Whilst we remain suitably cautious on the overall macroeconomic environment in North America, the near-term outlook is encouraging with a strong order book and good momentum going into 2020.

Integrating and rebranding in North America

In a significant step forward, Keller has integrated all of its foundation businesses in North America. Effective 1 January 2020, Bencor, Case, Hayward Baker, HJ Foundation, Keller Canada, McKinney and Moretrench are now operating as one unified organisation under the same Keller brand.

The new organisation is being managed as eight business units. Seven are geographically based, each with similar revenue and offering all relevant products. The eighth offers specialty services across North America that we previously only offered from a limited number of our offices.

Moretrench Industrial, Suncoast and Cyntech remain as separate businesses within the Keller North American organisation and retain their brands.

This change has been made primarily for customers. Operating as Keller in each local market, offering all products and services.

We will be easier to understand and engage with. And being more customer versus product focused, customers can be confident they are getting the best, most competitive solutions, especially when these involve multiple techniques.

Combining all of our geotechnical strengths will also help Keller compete and win projects. And our teams will find it easier to work together, removing duplication and improving efficiency.



Europe, Middle East and Africa (EMEA)

EMEA revenue grew year on year, however profitability was negatively impacted by two large and highly profitable projects completed in 2018.



Thorsten Holl
President, EMEA

Business units

Central Europe
North-East Europe
North-West Europe
South-East Europe/Nordics
Brazil
Franki Africa
Middle East
Iberia and Latin America
French-Speaking Countries



KPIs

Revenue (£m)	
2019	679.6
2018	668.2
Underlying operating profit (£m)	
2019	28.1
2018	39.7
Underlying operating margin (%)	
2019	4.1
2018	5.9
Order book	
2019	287.2
2018	273.2
Accident frequency rate	
2019	0.30
2018	0.29



	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m	Constant currency
Revenue	679.6	679.6	668.2	2%
Underlying operating profit	28.4	28.1	39.7	(31%)
Underlying operating margin	4.2%	4.1%	5.9%	n/a
Order book	287.2	287.2	273.2	11%

In EMEA, revenue increased by 2% on a constant currency basis, with a strong performance in our Central European business offset by the strong comparator which included two large and highly profitable projects in the Caspian and Middle East which were completed in the prior year. Underlying operating profit was £28.1m, on the comparable IAS 17 reported basis, down by 31%, giving an underlying operating margin of 4.1%, down from 5.9% in the prior year.

The anticipated decline in profitability was largely attributable to the two large projects completed in 2018. Excluding these two projects, the

underlying EMEA revenue was up 4% with underlying operating profit down by 8% on a constant currency basis, with a mixed performance across the division.

Our core businesses in Central Europe and South-East Europe performed strongly, assisted by a positive market environment. The Scandinavian region is developing well, supported in Norway by the award of a major contract to complete soil stabilisation and grouting works, as part of the Sandbukta-Moss-Sastad rail project.

The UK, representing 3% of overall group revenue, was impacted by the political uncertainty around the government election and Brexit which created a hesitant investment climate for most of 2019. Whilst the HS2 project received government approval in February 2020, we were engaged in the early contractor involvement stage on two sections during 2019. We have completed several tests and trials and were awarded an instrumentation and monitoring contract on the London section.

Our businesses in North-East Europe and the Middle East started the year slowly. Following the commencement of higher margin projects in both business units, they finished the year with better momentum which has carried into the early part of 2020.

As announced in December, we will make a phased withdrawal from South America where market conditions have proven to be challenging. This will allow the management team to concentrate on our higher quality European businesses within the division. The withdrawal process is underway and a number of alternative options are in the process of being evaluated in order to select the most appropriate exit for each operation. It is anticipated that this activity will be progressively executed during the coming year.

Despite the restructuring activity that was undertaken during 2018, the Franki Africa business which has been impacted by a deteriorating market, recorded a loss in 2019. A further restructuring programme was undertaken in the second half of 2019 to stabilise the cost base. As previously announced, we have commenced a strategic review of the Franki Africa business, the initial phase is complete and the second phase is underway. We expect the review to be completed by the end of the first half of 2020.

EMEA is well positioned for a positive start to 2020, with a healthy order book and favourable market conditions in our core markets. Full year performance will be dependent on several key project wins together and a continuing favourable macroeconomic environment.

Competitive advantage from workplace organisation

5S, usually translated as Sort, Set in Order, Shine, Standardise and Sustain, is a tool for creating and maintaining a clean, safe and organised working environment. But it's also extremely beneficial for improving quality, performance and production. One place it's proven hugely successful is Egypt, where it has transformed the business unit yard.



Since taking part in Keller 5S training, HSEQ Manager Mina Louis has led the charge to implement and sustain the methodology.

Mina introduced 5S to his colleagues through a series of workshops. Supported by the leadership team, he drew up a detailed action plan that attributed tasks to everyone, with timescales. Mina then carried out weekly visits to monitor progress and provide support.

He also encouraged colleagues to have ownership of 5S by coming up with their own improvement ideas, aided by a rewards-and-recognition scheme.

The yard now has a much improved inventory, so everything can be found in a matter of seconds. Lead times for projects have been significantly reduced because everything is in its place ready to go when a project starts.

With a cleaner, more organised yard, equipment is better maintained leading to fewer breakdowns, reducing downtime and extending equipment life.

But the journey never stops. More recently, Mina and the team have been using 5S to continuously improve the work environment, reviewing how work is currently completed and asking "is there a better way to do this?"

Asia-Pacific (APAC)


The APAC division reported a profit of £3.3m¹, the first time the division has reported a full year profit since the merger in 2016 of the previously separate Australia and Asia divisions.



Peter Wyton
 President, APAC

1 On an IFRS 16 basis

Business units

ASEAN
 India
 Keller Australia
 Austral



KPIs

Revenue (£m)	
2019	287.0
2018	394.9
Underlying operating profit/(loss) (£m)	
2019	2.8
2018	(18.0)
Underlying operating margin (%)	
2019	1.0
2018	(4.6)
Order book	
2019	164.4
2018	143.2
Accident frequency rate	
2019	0.03
2018	0.16

	2019 IFRS16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m	Constant currency
Revenue	287.0	287.0	394.9	(27%)
Underlying operating profit	3.3	2.8	(18.0)	n/a
Underlying operating margin	1.1%	1.0%	(4.6%)	n/a
Order book	164.4	164.4	143.2	21%

In APAC revenue decreased by 27% on constant currency basis, largely as a result of the reduced scale of the restructured ASEAN and Waterway businesses. The division achieved underlying operating profit of £2.8m on an IAS 17 reported basis, the first time the APAC division has reported a full year profit since the merger in 2016 of the previously separate Australia and Asia divisions. This result was driven by our successful restructuring efforts, reducing divisional overheads and a solid operational performance by our more strategically focused business.

The restructuring activities in ASEAN and Waterway are now largely complete. In ASEAN we have exited from the heavy foundations market in Singapore and Malaysia which enables us to focus on the higher margin ground improvement activities in these markets. In June 2019 we announced we would cease operations at Waterway where we had experienced difficult trading conditions in the marine infrastructure environment on the east coast of Australia. This process has been managed successfully through the second half of 2019. The ASEAN business as a whole delivered a robust performance in the year with the strong Singaporean market offsetting



continued weakness in the Malaysian market. All Waterway projects are now complete and the restructuring charge of £11m associated with the Waterway closure was offset by a reversal in the provision for restructuring costs at ASEAN in 2018 and Waterway in the first half of 2019. APAC restructuring activities were cash neutral during 2019.

Following a slow start to the year as a result of two major cyclones and extensive flooding in the Pilbara region in Western Australia, our Austral business finished the year solidly, including securing their largest ever contract win. The contract is to procure and construct the replacement of berthing structures at Rio Tinto's Cape Lambert Port in the Pilbara, worth around AUD\$125m (c. £70m).

As anticipated, our Australia revenues were down significantly, given the softness in the market. Despite the lower volume, the business delivered a growth in profit year on year as a result of the lower overhead base post restructuring and the successful settlement of a claim relating to the prior year project on the Melbourne Metro Tunnel project.

Keller India had another good year, delivering increased revenue, profit growth and improved operating cash flows.

The APAC division is well placed for 2020, with a reinvigorated organisation and a strong order book across all four geographic businesses.

ASEAN returns to profit

The ASEAN restructuring programme announced last year in response to adverse market conditions has been executed well with the business unit showing a solid turnaround in 2019.

To reduce the ASEAN cost base and our exposure to unprofitable market segments, we have closed our heavy foundations business responsible for bored piling, driven piling and diaphragm walls in both Singapore and Malaysia.

include vibro compaction, vibro replacement/stone columns, permeation grouting, jet grouting, deep soil mixing and mass soil mixing.

This has allowed us to focus on the core ground improvement products that have been offered for more than 25 years in the region. These

Effective implementation of this restructuring resulted in lower than expected costs and, with a number of high-quality contract wins, the business has returned to profit for the full year.



Chief Financial Officer's review



A strong second half delivered full year results in line with expectation; revenue and operating profit were both up on 2018 and leverage finished well within our 1.0x to 1.5x target range.



Mark Hooper
Chief Financial Officer



We have a consistently diversified spread of revenues across geographies, product lines, market segments and end customers. The group worked on more than 7,000 projects in the year at an average revenue of approximately £325,000 per project, clearly demonstrating the benefit of diversification and a wide project portfolio.

This report comments on the key financial aspects of the group's 2019 results.

	2019 IFRS 16 basis £m¹	2019 IAS 17 basis £m¹	2018 IAS 17 basis £m
Revenue	2,300.5	2,300.5	2,224.5
Underlying operating profit ²	103.8	101.8	96.6
Underlying operating profit % ²	4.5%	4.4%	4.3%
Non-underlying items	(29.7)	(29.7)	(71.6)
Statutory operating profit	74.1	72.1	25.0

¹ The group adopted IFRS 16 on 1 January 2019 and comparative financial measures have not been restated. The 2019 results prepared on the basis of IAS 17, the previous leasing standard, as well as under IFRS 16, have been presented and commented upon to allow meaningful comparison to prior periods.

² Details of non-underlying items are set out in note 8 to the consolidated financial statements. Reconciliations to statutory numbers are set out in the Adjusted Performance Measures section on page 153.

Revenue split by geography

£m	North America	EMEA	APAC	Total
2019				
H1	611.0	342.4	138.3	1,091.7
H2	722.9	337.2	148.7	1,208.8
Total	1,333.9	679.6	287.0	2,300.5
2018				
H1	534.3	324.7	216.1	1,075.1
H2	627.1	343.5	178.8	1,149.4
Total	1,161.4	668.2	394.9	2,224.5

Year ended	Revenue £m		Underlying operating profit ¹ £m			Underlying operating profit margin ¹ %		
	2019	2018	2019 IFRS 16 basis	2019 IAS 17 basis	2018 IAS 17 basis	2019 IFRS 16 basis	2019 IAS 17 basis	2018 IAS 17 basis
Division								
North America	1,333.9	1,161.4	78.6	77.3	78.6	5.9%	5.8%	6.8%
EMEA	679.6	668.2	28.4	28.1	39.7	4.2%	4.1%	5.9%
APAC	287.0	394.9	3.3	2.8	(18.0)	1.1%	1.0%	(4.6)%
Central	–	–	(6.5)	(6.4)	(3.7)	–	–	–
Group	2,300.5	2,224.5	103.8	101.8	96.6	4.5%	4.4%	4.3%

¹ Details of non-underlying items are set out in note 8 of the consolidated financial statements.

Revenue

Revenue of £2,300.5m (2018: £2,224.5m) was 3% ahead of 2018 and included the benefit of foreign exchange movements from weaker sterling against the US dollar. At constant currency, revenue increased by 2% reflecting a full year of the Moretrench acquisition in the first quarter of 2018. Growth in North America and EMEA were offset by a decline in APAC. North America reported an increase in revenue of 11% (at constant currency) of which 3% was attributable to a full year of the Moretrench acquisition. EMEA revenue increased by 2% (at constant currency) with positive revenue growth in the Central European business offsetting the impact of completion of two large projects during 2018. APAC revenue declined by 27% (at constant currency) following the planned exit from the ASEAN heavy foundations business in the second half of 2018 and the managed closure of the Waterway business following the decision made in the first half of 2019 to cease operations.

We have a consistently diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and, consistent with the prior year, the largest customer represented less than 2% of the group's revenue. The top 10 customers represent 7% of the group's revenue (2018: 10%). The group worked on more than 7,000 projects in the year at an average revenue of approximately £325,000 per project, clearly demonstrating the benefit of diversification and a wide project portfolio.

Underlying operating profit

Underlying operating profit was £103.8m, including the impact of IFRS 16. On an IAS 17 basis, consistent with the prior year, underlying operating profit was £101.8m (2018: £96.6m). The tailwind of favourable US dollar foreign exchange rates against weaker sterling gave a 3% improvement on prior year, with a further 2% growth on a constant currency basis, giving headline growth of 5%. Adjusting for the Moretrench acquisition, at constant currency, underlying operating profit declined by 1%.

North America (on a comparable IAS 17 basis) underlying operating profit fell by 2%. This was as a consequence of high margin project work in 2018 not being repeated in the year and a number of problematic contracts offset by a recovery in Suncoast profit and the full year benefit of Moretrench. EMEA operating profit declined by 29% on the comparable IAS 17 basis, as two notably large and highly profitable projects were completed in 2018. APAC delivered profit in the year following the successful restructuring of the ASEAN heavy foundations and Waterway businesses.

As previously indicated, the profit in the year was significantly weighted to the second half, reflecting a return to the normal profit phasing of the group.

Share of post-tax results from joint ventures

The group recognised a post-tax profit of £0.7m in the year (2018: £1.6m) from its share of the post-tax results from joint ventures. Dividends totalling £1.1m were received from joint ventures in the period.

Chief Financial Officer's review

continued

Statutory operating profit

Statutory operating profit of £74.1m (2018: £25.0m) comprises an underlying operating profit on an IAS 17 basis of £101.8m (2018: £96.6m), a net credit from the application of IFRS 16 of £2.0m, where depreciation on right-of-use assets is less than the corresponding IAS 17 cost of operating leases, and non-underlying items of £29.7m (2018: £71.6m).

Finance costs

Underlying net finance costs on an IAS 17 basis were £18.2m (2018: £16.1m). With average net borrowings during the year, excluding IFRS 16 lease liabilities, being £392.1m, a 3% reduction on the prior year average (2018: £395.4m), the increase in net finance costs is attributable to an increase in the effective interest rate and an increase in the level of gross borrowings during the year.

Statutory net finance costs of £22.5m (2018: £16.6m) include £4.3m of interest cost on the IFRS 16 lease liability in 2019 and non-underlying interest charges of £0.5m in the prior year.

Taxation

The group's underlying effective tax rate was 28%, unchanged from 2018. Cash tax paid in the year of £12.3m was net of a refund of prior year US tax overpayments.

Non-underlying items

Amortisation of acquired intangibles

The £4.3m charge for amortisation of acquired intangible assets relates mainly to the Moretrench, Austral and Sivenmark acquisitions. The prior period charge (2018: £7.9m) included amortisation in relation to Keller Canada, Bencor and Franki Africa acquired intangibles which were fully amortised or impaired in 2018.

Non-underlying operating costs

Non-underlying operating costs were £28.7m (2018: £64.2m) which includes an impairment charge made against the carrying value of Canadian goodwill of £20.2m as well as specifically identified restructuring and acquisition related costs. The impairment of the Canadian goodwill was due to a downward revision to the medium term forecast for Canada following a deterioration in the Prairies market where there is no sign of a near term return of investment in natural resources. We believe this to be a sustainable business, however the forward looking projections did not fully support the carrying value of the goodwill.

In the second half of 2018 the group announced a group-wide restructuring programme that affected the ASEAN and Waterway businesses in APAC and the Brazil and Franki Africa businesses in EMEA. Significant restructuring costs were recognised during 2018. Restructuring costs of £7.2m charged during 2019 are in respect of a second phase of restructuring launched in the year in both Waterway, resulting in the business running down to eventual closure, and in Franki Africa. These additional charges were offset by a release of ASEAN restructuring provisions that were made in 2018 but reversed following completion of related restructuring activity at less cost than originally provided.

Acquisition related costs of £1.3m in the period relate to professional fees and employee incentives associated with acquisition and divestment activity.

Non-underlying other operating income

Non-underlying other operating income was £3.3m in respect of proceeds received on final settlement of a contributory claim relating to a non-routine contractual dispute that was first reported in 2014. The prior year non-underlying other operating income was in respect of a release of contingent consideration from an acquisition.

Non-underlying taxation

The non-underlying tax charge of £7.5m (2018: £0.3m credit) comprises the tax effect of the non-underlying items noted above and a write-off of £8.5m of deferred tax assets relating to the Australian tax group. This write-off was triggered by the decision to close the Waterway business during the first half of the year.

IFRS 16 'Leases'

The group has adopted IFRS 16 'Leases', using the modified retrospective adoption method which does not require the restatement of prior period comparatives, with an initial date of application of 1 January 2019. IFRS 16 replaces IAS 17, the previous accounting standard, and has had an impact on the costs, profits, assets and liabilities included within the statutory results of the group.

The consolidated income statement, and relevant notes include the results for the current period excluding the effect of IFRS 16, to enable performance comparison with the prior year. The adoption of IFRS 16 does not impact the measurement of the banking covenants, as these are specifically tested on an IAS 17 basis.

Operating and free cash flow

	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m
Underlying operating profit	103.8	101.8	96.6
Depreciation and amortisation	94.6	69.0	70.9
Underlying EBITDA	198.4	170.8	167.5
Non-cash items	13.4	13.4	3.6
Dividends from joint ventures	1.1	1.1	0.9
(Increase)/decrease in working capital	(1.6)	(2.0)	1.5
Outflows from provisions and retirement benefit liabilities	(12.3)	(12.3)	(10.1)
Net capital expenditure	(52.0)	(52.0)	(77.1)
Additions to IFRS 16 right-of-use assets	(22.9)	–	–
Sale of other non-current assets	4.6	4.6	3.5
Operating cash flow	128.7	123.6	89.8
Operating cash flow to operating profit	124%	121%	93%
Net interest paid	(21.5)	(17.2)	(15.1)
Cash tax paid	(12.3)	(12.3)	(16.7)
Free cash flow	94.9	94.1	58.0
Dividends paid to shareholders	(26.3)	(26.3)	(26.3)
Acquisitions	2.1	2.1	(77.5)
Non-underlying items	0.4	0.4	(5.2)
Right-of-use assets / lease liability modifications	7.1	–	–
Foreign exchange movements	6.3	2.8	(5.7)
Movement in net debt	84.5	73.1	(56.7)
Opening net debt	(286.2)	(286.2)	(229.5)
Impact of adopting IFRS 16	(88.1)	–	–
Closing net debt	(289.8)	(213.1)	(286.2)

The impact of IFRS 16 on the result for 2019 was a net reduction in profit after tax of £1.6m comprising a £2.0m credit to operating profit, interest charges on the lease liability of £4.3m and a reduction in corporate tax charge of £0.7m. The balance sheet at 31 December 2019 includes right-of-use assets of £74.0m and additional lease liabilities of £76.7m. The full impact of IFRS 16 is detailed in note 2 'Change in accounting policies and disclosures', note 15 b) 'Property, plant and equipment – leased assets' and note 25 'Lease liabilities'.

Earnings per share

Underlying diluted earnings per share on an IAS 17 basis increased by 6% to 83.5p (2018: 79.1p). This is in line with the increase in the group's underlying profit after tax. Statutory diluted earnings per share was 29.7p (2018: loss 20.6p).

Dividend

The Board has recommended a final dividend of 27.4p per share (2018: 23.9p per share), which brings the total dividend for the year to 40.0p

(2018: 35.9p). This represents an increase of 11% on the prior year, with the usual 5% increase plus a non-recurring supplementary dividend of 2.3p per share. The 2019 dividend earnings cover, before non-underlying items, was 2.1x (2018: 2.2x).

The group's dividend policy is to increase the dividend sustainably whilst allowing the group to be able to grow, or as a minimum, maintain, the level of dividend through market cycles. The Board has announced its intention to declare a non-recurring supplementary dividend of 4.4p per share for 2020, to bring the total full year dividend for 2020 to 44p per share.

Keller Group plc has distributable reserves of £145.8m at 31 December 2019 that are available to support the dividend policy which comfortably covers the proposed full year dividend for 2019 of £28.8m. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the group which is subject to the

group's principal risks and uncertainties as well as the level of headroom on the group's borrowing facilities and future cash commitments and investment plans.

Prior-year restatement

As a result of a change in accounting policy and a reclassification in the classification of liabilities, the comparative consolidated balance sheet as at 31 December 2019 has been restated. The group has increased provisions by £18.8m to reflect contract insurance liabilities in the group's captive insurance arrangement, with a corresponding reduction in retained earnings. Additionally, trade and other payables have been reduced by £8.6m to better reflect the classification of certain legal claims within provisions.

Chief Financial Officer's review

continued

Acquisitions

There were no material acquisitions in the period.

Working capital

Net working capital decreased from £225.4m in 2018 to £210.5m. The £54.3m cash flow from increased receivables during the year was broadly offset by an £6.2m decrease in inventory and a £46.5m increase in payables. Full year working capital performance included approximately £40m of timing benefit that will partially reverse in 2020.

Capital expenditure

The group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure of £52.0m was net of proceeds from the sale of equipment of £10.9m. The Asset Replacement Ratio, which is calculated by dividing gross capex spend by the depreciation charge was 66%. On an IAS 17 basis, excluding assets capitalised as a result of adopting IFRS 16, the Asset Replacement Ratio was 91% (2018: 122%), a result of the focus on more efficient capex and asset management.

Free cash flow

The group's free cash flow of £94.1m on an IAS 17 basis (2018: £58.0m) is more than sufficient to fund, in cash terms, the full value of the payment in relation to the total 2019 dividend of £26.3m (2018: £26.3m). The basis of deriving free cash flow is set out on page 27.

Financing facilities and net debt

The group's term debt and committed facilities principally comprise US private placements of US \$125m (£97m) which mature between 2021 and 2024 and a £375m multi-currency syndicated revolving credit facility. In November 2019 the planned one year extension of the revolving credit facility was agreed with the banking group, extending the expiry date of the facility to November 2024. At the year end, the group had undrawn committed and uncommitted borrowing facilities totalling £247m.

The most significant covenants in respect of the main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the group's net worth. The covenants are required to be tested at the half year and the year end. The group operates comfortably within all of its covenant limits. The key banking covenant is net debt to underlying

EBITDA leverage measure, calculated excluding the impact of IFRS 16, which at 31 December 2019 was 1.2x (2018: 1.7x), well within the limit of 3.0x. The group aims to operate at a leverage between 1.0x-1.5x and is well placed to do this. Calculated on a statutory basis, including the impact of IFRS 16, net debt to EBITDA leverage was 1.5x at 31 December 2019.

Year end gearing was 53% (2018: 67%) on an IAS 17 basis with net assets of £399.3m. On an IFRS 16 basis, gearing was 73%.

The average month end net debt during 2019, excluding IFRS 16 lease liabilities, was £327.9m and the minimum headroom during the year on the group's main banking facility was £84.2m, in addition to a cash balance at that time of £56.7m. The group had no material discounting or factoring in place during the year. Given the relatively low value and short-term nature of the majority of the group's projects, the level of advance payments are typically not significant.

The group had drawn upon uncommitted overdraft facilities to the value of £11.4m and had drawn £188.3m of bank guarantee and bonding facilities at 31 December 2019.

Provision for pension

The group has defined benefit pension arrangements in the UK, Germany and Austria.

The group's UK defined benefit scheme is closed to future benefit accrual. The last actuarial valuation of the UK scheme was as at 5 April 2017, which recorded the market value of the scheme's assets at £45.0m and the scheme being 71% funded on an ongoing basis. The level of contributions are £2.4m a year with effect from 1 July 2018. Contributions will be reviewed following the next triennial actuarial valuation to be prepared as at 5 April 2020. The 2019 year end IAS 19 valuation of the UK scheme showed assets of £52.2m, liabilities of £62.2m and a pre-tax deficit of £10.0m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the group before 1991. The IAS 19 valuation of the defined benefit obligation totalled £17.7m at 31 December 2019. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the group balance sheet.

All other pension arrangements in the group are of a defined contribution nature.

Currencies

The group is exposed to both translational and, to a lesser extent, transactional foreign currency gains and losses through movements in foreign exchange rates as a result of its global operations. The group's primary currency exposures are US dollar, Canadian dollar, euro, Singapore dollar and Australian dollar.

As the group reports in sterling and conducts the majority of its business in other currencies, movements in exchange rates can result in significant currency translation gains or losses. This has an effect on the primary statements and associated balance sheet metrics, such as net debt and working capital.

A large proportion of the group's revenues are matched with corresponding operating costs in the same currency. The impact of transactional foreign exchange gains or losses are consequently mitigated and are recognised in the period in which they arise.

The following exchange rates applied during the current and prior year:

	2019		2018	
	Closing	Average	Closing	Average
USD	1.33	1.28	1.27	1.33
CAD	1.72	1.70	1.74	1.73
EUR	1.18	1.14	1.11	1.13
SGD	1.78	1.74	1.74	1.80
AUD	1.89	1.84	1.80	1.79

Treasury policies

Currency risk

The group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the group's borrowings are held in sterling, US dollar, Canadian dollar, euro, Australian dollar, Singapore dollar, Emirati dirham and South African rand.

The group manages its currency flows to minimise transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the group relate to repatriation of profits, intra-group loan repayments and any foreign currency cash flows associated with acquisitions. The group's treasury risk management is performed at the group's head office.

The group does not trade in financial instruments, nor does it engage in speculative derivative transactions.

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing.

Credit risk

The group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain group liabilities. These represent the group's maximum exposure to credit risk in relation to financial assets.

The group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to its credit rating and by regular review of these ratings.

Return on capital employed

Return on capital employed is defined at group level as underlying operating profit divided by the accounting value of equity attributable to equity holders of the parent plus net debt plus retirement benefit liabilities. Return on capital employed in 2019 was 14.4% (14.9% on an IAS 17 basis, 2018: 13.2%).

Impact of Brexit

The UK referendum vote to leave the European Union has led to a period of prolonged economic and political uncertainty in the country. This has impacted our operations in the UK however the group's UK business represents less than 3% of group revenue. Depending upon the nature and timing of the final Brexit agreement, expected to be put in place by 31 December 2020, there may be further adverse operational impacts in the form of cross border raw material and personnel movements and/or additional burdens to the dividend and treasury flows within the group. Any material movements in exchange rates may also impact the headroom of the group's debt facilities which are mainly denominated in sterling. The Board has taken the above effects into account in its financial scenario modelling and its going concern considerations. Overall, the Board does not envisage any sustained material threat to the group's business performance.

Principal risks

The group operates globally across many geotechnical market sectors and in varied geographic markets. The group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. Those risks include: financial risks – the inability to finance our business; market risk – a rapid downturn in our markets; strategic risk – the failure to procure new contracts, losing market share, non-compliance with our code of business conduct; operational risk – product and/or solution failure, the ineffective management of our contracts, causing a serious injury or fatality to an employee or member of the public, and not having the right skills to deliver.

The group is alert to the challenges of managing risk and has systems and procedures in place across the group to identify, assess and mitigate major business risks. Project Lifecycle Management (PLM) was launched in late 2019 to improve the detailed process of project risk identification and mitigation from contract tender through to project completion. We will continue to develop and improve PLM with feedback from the project team as they roll the requirements out during 2020.



Mark Hooper
Chief Financial Officer
3 March 2020

Principal risks and uncertainties

How we identify risk

Our risk management process has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy. We have risk identification processes that seek to identify risks from both a top-down strategic perspective and a bottom-up local operating company perspective.

The Board

The Board has overall responsibility for risk management, the setting of risk appetite and the implementation of the risk management policy. The Board reviews and challenges the group's principal risks and uncertainties and has adopted an integrated approach to risk management by regularly discussing the principal risks as a part of routine board meetings.

The Audit Committee

The Audit Committee ensures that adequate assurance is obtained over the risks that are identified as the group's principal risks. The Audit Committee is also responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach.

The Executive Committee

The Executive Committee is responsible for the identification, reporting and ongoing management of risks and for the stewardship of the risk management approach. The Executive Committee reviews and assesses the key strategic risks to the group and the outputs of the assessment are included in the local risk assessment exercises carried out by the Divisional Presidents.

Important developments in 2019

Strengthening our risk management framework was a key priority for 2019 and during the year we undertook several initiatives to achieve this.

- Successful delivery of profitable projects is an integral part of our strategy. We have rolled out the PLM Standard across the group. The PLM Standard will support successful delivery of profitable projects by applying methods that enable effective management of project risks and opportunities

- We have launched a new incident management framework along with a global incident management system which will enable greater transparency of health and safety related incidents including better sharing of key learnings helping to prevent the repeat of incidents
- We have strengthened our internal control environment by introducing a robust set of Group Financial Standards across a number of disciplines including financial reporting, accounting, audit, taxation and treasury, reinforcing a culture of strong governance and risk management
- We have benchmarked our risk management framework against current best practices and published a Group Risk Management Standard to enhance and formally communicate our risk management processes to all areas of the group

Key areas of focus for 2020

In 2020, we will focus on embedding our new Group Risk Management Standard into every level of the organisation.

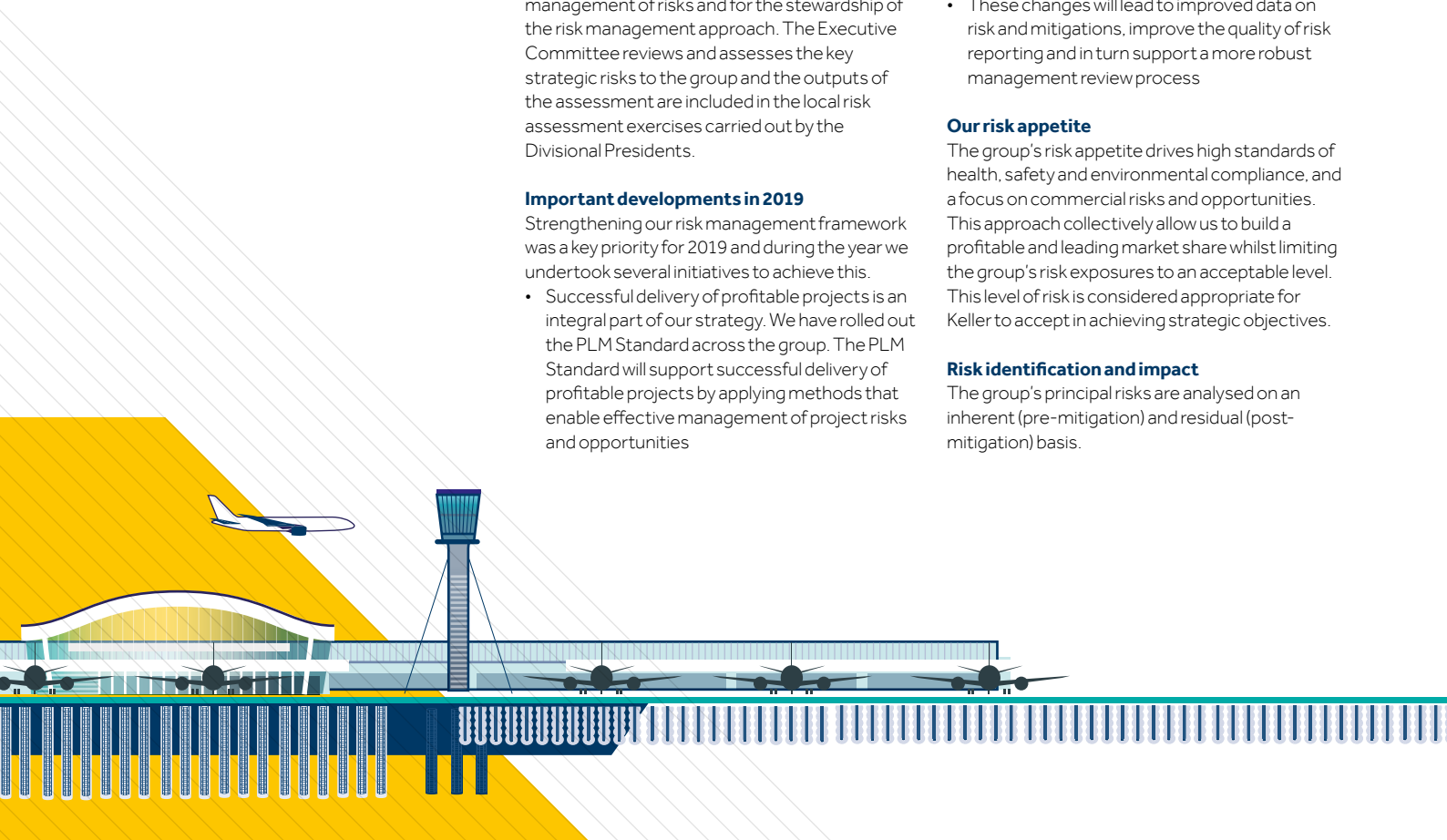
- We will strengthen our group risk management team to support the organisation with its risk management process
- We will provide training on the new Group Risk Management Standard to ensure a consistent methodology is used when assessing risks
- These changes will lead to improved data on risk and mitigations, improve the quality of risk reporting and in turn support a more robust management review process

Our risk appetite

The group's risk appetite drives high standards of health, safety and environmental compliance, and a focus on commercial risks and opportunities. This approach collectively allow us to build a profitable and leading market share whilst limiting the group's risk exposures to an acceptable level. This level of risk is considered appropriate for Keller to accept in achieving strategic objectives.

Risk identification and impact

The group's principal risks are analysed on an inherent (pre-mitigation) and residual (post-mitigation) basis.



Risk trends

The ongoing review of the group's principal risks focuses on how these risks may evolve as well as a consideration of emerging risks. The Audit Committee and Board reviewed the group's principal risks and uncertainties at their meetings in December 2019 and February 2020. Following a robust discussion, the Committee concluded that a number of our principal risks and uncertainties have changed since the publication of last year's Annual Report. The group's principal risks are set out on the following pages.

Developing the viability statement

In developing the viability statement, it was determined that a three-year period should be used, consistent with the period of the group's business planning processes and reflecting a reasonable approximation of the maximum time taken from procuring a project to completion. Management reviewed the principal risks, and considered which of these risks might threaten the group's viability. It was determined that none of the individual risks would in isolation compromise the group's viability, and so a number of different severe but plausible principal risk combinations were considered. A downside sensitivity analysis, as well as a consideration of any mitigating actions available to the group, were applied to the group's three-year cash flows forecasted as part of the business planning process and presented to the Board for discussion, further to review by the Audit Committee. The Board discussed the process undertaken by management, and also reviewed the results of stress testing performed to ensure that the sensitivity analysis was sufficiently rigorous. The Board also carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

Viability statement

In accordance with provision 31 of the 2018 revision of the Code, the Directors have assessed the prospects of the group over a three-year period.

- i) The Board selected the three-year period as:
 - a. the group's business planning and budget processes are carried out over a three-year period which provides the relevant estimates; and
 - b. a reasonable approximation of the maximum time taken from procuring a project to completion and therefore reflects our current revenue earning cycle.
- ii) The review considered cash flows and other key financial ratios over the three-year period. These metrics were subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast both individually and in combination. This downside sensitivity analysis was carried out to evaluate the potential impact on the group of a global downturn in the construction/geotechnical market. Revenues were assumed to decrease by 10% year on year with an operating margin deterioration in proportion. It was also assumed a number of other downside risks including worsening working capital performance, inability to finance the group's business and unforeseen settlements.

The Directors' assessment has been made with reference to the group's current position and prospects, the group's strategy, the Board's risk appetite and the group's principal risks and how these are managed, as detailed in the strategic report.

On the basis of the above and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the group will be able to continue in operation and meet its liabilities as they fall due over the next three years. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the group, its cash flows and liquidity position are described in the Chief Financial Officer's review, with details of the group's treasury activities, long-term funding arrangements and exposure to financial risk included in note 24 to the consolidated financial statements.



The group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The group is therefore well placed to manage its business risks. After making enquiries, the Directors have formed the judgement at the time of approving the financial statement, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the 12 months from the date of this Annual Report and Accounts. For this reason, the Directors remain of the opinion that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.



Principal risks and uncertainties

continued

The table below lists the principal risks and uncertainties as determined by the Board that may affect the group and highlights the mitigating actions that are being taken. The content of the table, however, is not intended to be an exhaustive list of all the risks and uncertainties that may arise.

Financial risk			
Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Inability to finance our business</p> <p>Insufficient levels of funding, whether from operating cash flow or external financing facilities, that are necessary to support the business.</p> <p>Link to strategic lever: 3, 4</p>	<p>A lack of available funds restricts investment in growth opportunities, whether through acquisition or innovation.</p> <p>In an extreme circumstance, the lack of available funds could lead to a failure of the group to continue as a going concern.</p>	<p>Mixture of long-term committed debt with varying maturity dates which comprise a £375m revolving credit facility with a maturity of November 2024 and a US private placement debt of \$125m (\$50m note maturing in 2021 and \$75m note maturing in 2024).</p> <p>Active and open communication with the revolving credit facility banking group ensures that it understands the group's financial performance and is supportive of funding requirements.</p> <p>Strong free cash flow profile with the ability to turn off capital expenditure and reduce dividends.</p> <p>Embedded procedures to monitor the effective management of cash and debt, including weekly cash reports and regular cash flow forecasting to ensure compliance with borrowing limits and lender covenants.</p> <p>Culture focused on actively managing our working capital; the annual bonus plan is linked to executive remuneration through an operating cash flow metric.</p> <p>Monitoring of and response to external factors that may affect funding availability; in anticipation of a less stable global economic environment, the Board announced in March 2018 reduced leverage guidance from 1.5x-2.0x to 1.0x-1.5x.</p>	 

<p>Key: Strategy lever</p> <ol style="list-style-type: none"> 1 Balanced portfolio 2 Engineered solutions 3 Operational excellence 4 Expertise and scale 	<p>Key: Movement in risk</p> <p>Increased risk Reduced risk </p> <p>Constant risk Link to viability </p>
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Market risk



Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>A rapid downturn in our markets</p> <p>Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle which grows more than many other industries during periods of economic expansion and falls more harder than many other industries when the economy contracts.</p> <p>Link to strategic lever: 1, 2</p>	<p>Reduction in the demand for our products and services may lead to a significant deterioration in financial performance, including cash flow generation.</p> <p>In an extreme circumstance, reduced cash flow generation could lead to a failure of the group to continue as a going concern.</p>	<p>The diverse markets in which the group operates, both in terms of geography and market segment, provide protection to individual geographic or segment slowdowns.</p> <p>Having strong local businesses with in-depth knowledge of the local markets enables early detection and response to market trends.</p> <p>Leveraging the global scale of the group, talent and resources can be redeployed to other parts of the company during individual market slowdowns.</p> <p>The diverse customer base, with no single customer more than 5% of group revenue, reduces the potential impact of individual customer failure caused by an economic downturn.</p>	<p> </p>

Strategic risk

Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Failure to procure new contracts on satisfactory terms</p> <p>Increasing competition, changing customer requirements or a loss of technological advantage results in a failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets.</p> <p>Link to strategic lever: 1, 2, 3, 4</p>	<p>Failure to negotiate satisfactory and appropriate contractual terms may result in delays and disputes during project delivery, negatively impacting our relationships with our customers and the group's reputation for delivering quality products and solutions.</p> <p>Inability to enter into commercially viable contracts may have a negative effect on the profitability of our projects and prevent the group from achieving its targets.</p>	<p>A focus on understanding customers' requirements and competitors' capabilities.</p> <p>Structured bid review processes in operation throughout the group with well-defined selection criteria that are designed to ensure we take on contracts only where we understand and can manage the risks involved.</p> <p>The Project Lifecycle Management (PLM) Standard has introduced more rigour into how risks are considered during the opportunity, contract approval and project execution phases.</p> <p>Sales training, which includes a focus on contractual and commercial terms.</p>	<p></p>

Principal risks and uncertainties

continued

Strategic risk			
Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Losing our market share</p> <p>Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry-specific solutions may jeopardise our position as the preferred international geotechnical specialist contractor.</p> <p>Link to strategic lever: 1, 2</p>	<p>Delivering sustainable growth is a key component of our strategy. Failure to deliver on our key strategic objective may result in the loss of confidence and trust of our key stakeholders including investors, financial institutions and customers.</p>	<p>A clear business strategy with defined short-, medium- and long-term objectives, which is monitored at local, divisional and group level.</p> <p>Continued analysis of existing and target markets to ensure opportunities that they offer are understood.</p> <p>An opportunities pipeline covering all sectors of the construction market.</p> <p>A wide-ranging local branch network which facilitates customer relationships and helps secure repeat work.</p> <p>Continually seeking to differentiate our offering through service quality, value for money and innovation.</p> <p>Minimising the risk of acquisitions, including getting to know a target company in advance, often working in joint venture, to understand the operational and cultural differences and potential synergies. As well as undertaking these through due diligence and structured and carefully managed integration plans.</p>	<p></p>
<p>Ethical misconduct and non-compliance with regulations</p> <p>Keller operates in many different jurisdictions and is subject to various rules, regulations and other legal requirements including those related to anti-bribery and anti-corruption. There is a risk that the group fails to maintain the required level of compliance.</p> <p>Link to strategic lever: 3, 4</p>	<p>Non-compliance with relevant laws and regulations could lead to substantial damage to Keller's reputation and/or large financial penalties.</p> <p>Losing the trust of our customers, suppliers and other stakeholders would have an adverse effect on our ability to deliver against our strategy and business objectives.</p>	<p>A Code of Business Conduct that sets out minimum expectations for all colleagues in respect of ethics, integrity and regulatory requirements and is backed by a training programme to ensure that it is fully embedded across the group.</p> <p>A clear and confidential externally run 'whistleblowing' facility encouraging employees to report any suspected misconduct.</p> <p>An Ethics and Compliance Officer at every business unit who supports the ethics and compliance culture and ensures best practice developed by the group is communicated and embedded into local business practices.</p> <p>Regular workshops across the group to ensure compliance risks are identified and addressed.</p> <p>See page 37 for detailed mitigations of health and safety risks.</p>	<p></p> <p>Strengthened communication of Keller's tone at the top and a renewed focus on risk management and internal control have decreased the exposure of this risk.</p>



<p>Key: Strategic lever</p> <ol style="list-style-type: none"> 1 Balanced portfolio 2 Engineered solutions 3 Operational excellence 4 Expertise and scale 	<p>Key: Movement in risk</p> <p>Increased risk Reduced risk </p> <p>Constant risk Link to viability </p>
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Strategic risk

Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Inability to maintain our technological advantage Keller has a history of innovation that has given us a technological advantage which is recognised by our clients and competitors. Inability to maintain this advantage through the continued technological advancements in our equipment, products and solutions may impact our position in the market.</p> <p>Link to strategic lever: 1, 2</p>	<p>Without a structured innovation approach, including sufficient investment, Keller may lose its competitive advantage.</p>	<p>The Keller Innovation Board works closely with business units, divisions and global product teams to ensure a structured approach to innovation is in place across the group.</p> <p>The Keller Innovation Conference was an important milestone to help make existing innovation activities not only more transparent, but also more focused, coordinated and quicker to implement in the future.</p> <p>KDAQ, a group-wide innovation project, will bring information together and make it accessible in one simple and concise platform. It will include all technical information from Keller and third-party sources at each stage of delivery, including data analysis and visualisations where possible, and it will also be BIM-compatible.</p>	<p>New risk Keller's ability to innovate is essential to its operating model.</p>
<p>Changing environmental factors Changes in environmental legislation and relevant standards that impact our product and service offerings and an increasingly active public response to environmental concerns in the sectors in which we operate.</p> <p>Link to strategic lever: 3</p>	<p>Inability to achieve Keller's commitment to deliver solutions in an environmentally conscious manner may have a negative impact on our reputation, affect employee morale and lead to loss of confidence from our customers, suppliers and investors.</p> <p>Product offerings become obsolete because they are no longer compliant with environmental standards. We may be required to remediate at our own cost to attain compliance.</p>	<p>The group collaborates with the University of Surrey's Centre for Environment and Sustainability to apply sustainability best practice to all business functions.</p> <p>A Sustainability Steering Group is responsible for integrating sustainability targets and measures into the group business plan to successfully drive changes important to the company.</p> <p>Further details can be found in the sustainability report on pages 39 to 46.</p>	<p>New risk An increasingly active public response to environmental concerns in the sectors in which we operate.</p>

Principal risks and uncertainties

continued


Operational risk			
Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Service or solutions failure In designing a product or a solution for customers many factors need to be considered including client requirements, site and loading conditions and local constraints (eg neighbouring buildings, other underground structures). Inadequate design of a customer product and/or solution may lead to an inability to achieve the required standard.</p> <p>Misinterpretation of client requirements or miscommunication of requirements by the client may lead to a poorly designed solution and consequently failure.</p> <p>Link to strategic lever: 2, 4</p>	<p>Failure to meet quality standards could damage our reputation, result in regulatory action and legal liability, and impact financial performance.</p> <p>The liability limitation period of our products is generally 12 years; consequently, a poorly designed product/solution could have an impact on our long-term profitability.</p>	<p>Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities.</p> <p>Employing geotechnical engineers that are focused purely on design.</p> <p>The global product teams set standards, provide guidance and disseminates best practice across the organisation for our 10 key products.</p> <p>We seek to agree liability limits in our contracts with customers.</p> <p>Insurance solutions are in place to limit financial exposure of a potential customer claim.</p>	
<p>Ineffective execution of our projects Failure to manage our projects to ensure that they are delivered on time and to budget due to unforeseen ground and site conditions, weather-related delays, unavailability of key materials, workforce shortages or equipment breakdowns.</p> <p>Link to strategic lever: 3, 4</p>	<p>Inability to successfully deliver projects in line with the agreed customer requirements may result in cost overruns, contractual disputes and reputational damage.</p> <p>Ineffective project delivery may also expose the company to long-term obligations including legal action and additional costs to remedy solution failure.</p>	<p>Ensuring we understand all of our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.</p> <p>Ensuring we have high-quality people delivering projects. Keller's Project Management Academy is designed to create project managers with a consistent skill set across the entire organisation. The Academy covers a broad range of topics including contract management, planning, risk assessment, change management, decision-making and finance.</p> <p>The new KDAQ system will collect, process and visualise data from any equipment; enabling comparison of performance across sites using similar products, identification of areas of best practice and quickly raising awareness of where improvement is needed.</p> <p>The PLM Standard introduces a consistent approach to project delivery with robust controls at every project phase.</p> <p>A formal, structured approach to LEAN across the organisation is being embedded, which is improving processes and strengthening Keller's working culture.</p>	

Key: Strategy lever

- 1 Balanced portfolio
- 2 Engineered solutions
- 3 Operational excellence
- 4 Expertise and scale



Key: Movement in risk


Increased risk  Reduced risk 

Constant risk  Link to viability 

Operational risk

Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
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<p>Causing a serious injury or fatality to an employee or a member of the public</p> <p>Failure to maintain high standards of health and safety, and an increase in serious injuries or fatalities leading to an erosion of trust of employees and potential clients.</p> <p>Link to strategic lever: 3</p>	<p>Inability to maintain a positive health and safety culture may lead to damage to morale, an increase in employee turnover rates and a decrease in productivity.</p> <p>Deterioration in health and safety performance may lead to loss of customer, supplier and partner confidence and damage to our reputation in an area that we regard as a top priority.</p>	<p>A Board-led commitment to drive health and safety programmes and performance with a vision of zero harm.</p> <p>An emphasis on safety leadership to ensure both HSEQ professionals and operational leaders drive implementation and sustainment of our safety standards through ongoing site presence, using safety tours, safety audits, safety action groups and mandatory employee training.</p> <p>Ongoing improvement of existing HSEQ systems to identify and control known and emerging HSEQ risks, which conform to internal standards.</p> <p>The new Incident Management Standard and incident management software will drive a robust and consistent management process across the organisation that ensures the cause of the incident is identified and actions are put in place to prevent recurrence.</p>	<p> </p>
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<p>Not having the right skills to deliver</p> <p>Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.</p> <p>Link to strategic lever: 2, 3, 4</p>	<p>Failure to maintain satisfactory performance in respect of our current projects and failure to deliver our strategy and business targets for growth.</p>	<p>Continuing to invest in our people and organisation in line with the four pillars of the Keller People agenda as noted below.</p> <p>Ensuring that the 'Right Organisation' is in place with people having clear accountabilities; each organisational unit is properly configured with a matrix of line management, functional support, and product expertise.</p> <p>As industry leader, that Keller is made up of 'Great People' that are well trained, motivated and have opportunities to develop to their full potential. Project Managers and field employees receive comprehensive training programmes which cover a broad range of topics including contract management, planning, risk assessment, change management, decision-making and finance.</p> <p>A strong focus on the 'Exceptional Performance' of employees in delivering commercial outcomes safely for Keller based upon project successes for our customers. Business leaders are incentivised to deliver their annual financial and safety commitments to the group.</p> <p>The 'Keller Way' provides guidance to the company's employees and leaders to comply with local laws and work within Keller's values and Code of Business Conduct.</p>	<p></p> <p>We are seeing increased competition for skilled construction and engineering resources, in particular in our North American market.</p>
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Principal risks and uncertainties

continued

Operational risk

Risk	Potential impact	Demonstrable mitigation	Explanation of risk movement (since 2018)
<p>Loss of security of our data and systems</p> <p>Information security and cyber threats are a concern across industries worldwide. The introduction of digital solutions such as InSite and KDAQ increases the group's reliance on IT and its inherent cyber risk exposure.</p> <p>Link to strategic lever: 3, 4</p>	<p>A cyber security breach could result in leakage of proprietary information, operational disruptions, and loss of employee and customer data.</p>	<p>A dedicated cyber security team has been established to monitor and respond to potential incidents.</p> <p>Multi-factor authentication for all users prevents unauthorised access to Keller's networks and applications.</p> <p>Advanced threat protection on all IT equipment delivers comprehensive, ongoing and real-time protection against viruses, malware and spyware.</p> <p>A data protection framework ensures compliance with the General Data Protection Regulation.</p>	<p>New risk</p> <p>The introduction of digital solutions such as InSite and KDAQ increases the group's reliance on IT and its inherent cyber risk exposure.</p>

Sustainability

Our sustainability commitments



Peter Hill CBE
Chairman
Director responsible for sustainability/ESG

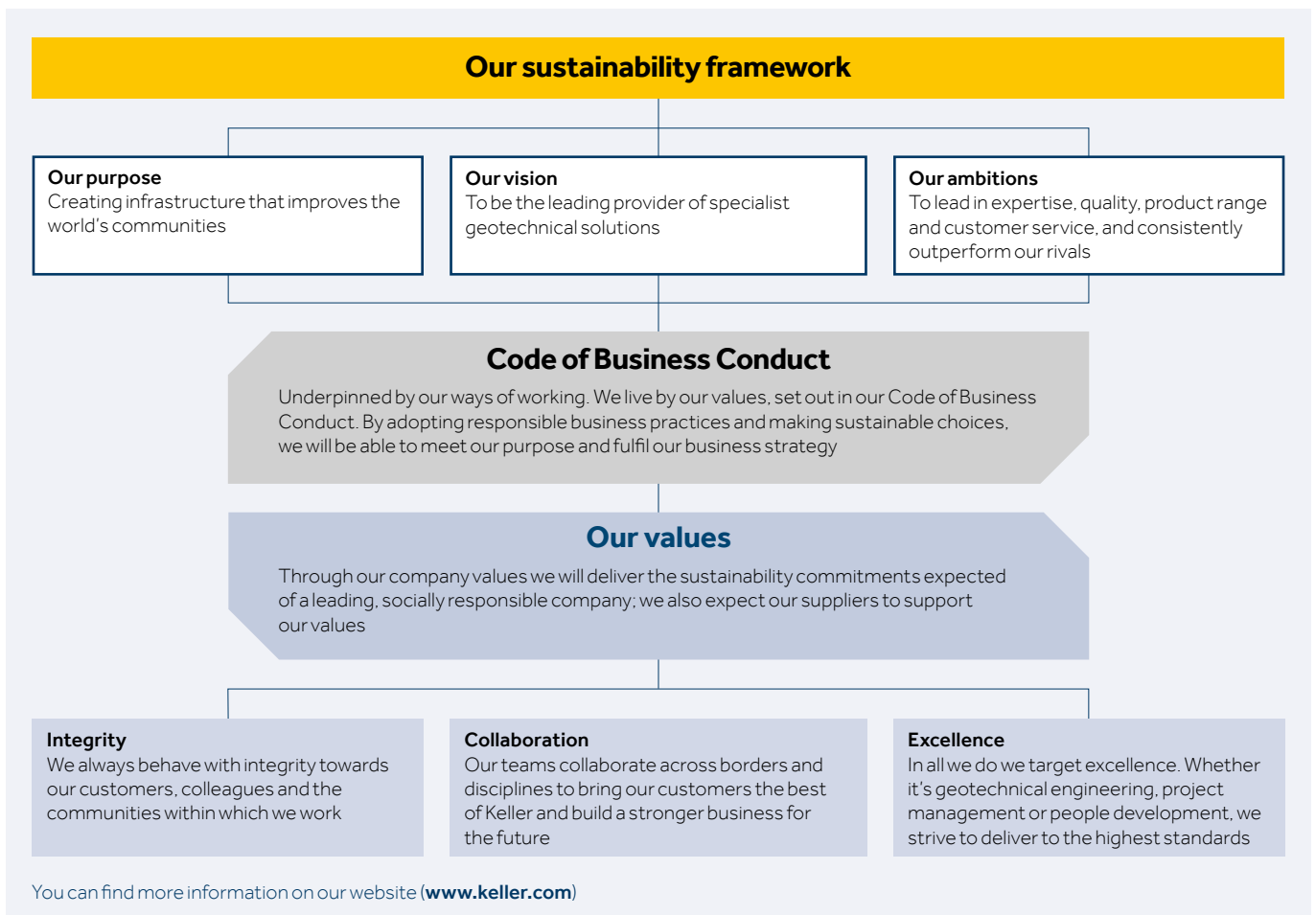
Our values align to the United Nations Sustainable Development Goals (SDGs) which provide a universal language for sustainability and provide a framework to guide all businesses in this area regardless of size, complexity or location.

Of the 17 SDGs, we specifically target 3, 4, 5, 8, 13 and 15. These specific SDGs are closest aligned to Keller's core business and therefore represent where we can have the greatest sustainability impact.

We are aligning our ambitions with our activities and initiatives across our functions; defining our targets and how we measure our progress against them; and driving an internal understanding and change within our business units. Our functional activities include: reinvigorating

our HSEQ leadership and capability; launching our HR strategic delivery plan, 'Keller People'; increasing our engineering focus on sustainable products and solutions; and our continued refreshing of our ethics and compliance agenda will underpin the way we deliver.

We have been working in collaboration with the University of Surrey's Centre for Environment and Sustainability to apply sustainability best practice to all of our business functions using the SDGs. Much of Keller's revenue is from client projects that are part of climate adaptation and provide social benefit to many communities. We remain committed to better understanding our contribution to sustainable development and working collaboratively with our stakeholders to reduce potential impacts.



Sustainability

continued

Progress against our sustainability commitments

Wearing pink in Keller UK

During Breast Cancer Awareness Month in October, Keller employees 'wear it pink' for the UK's largest breast cancer charity, Breast Cancer Now.

More than 55,000 people are diagnosed with breast cancer every year in the UK, and many people are surprised that hundreds of these will be men.

This year, to raise awareness and encourage donations, staff across Keller UK donned pink hard hats and boots and shared the resulting photos across social media every day. The hats were then auctioned off in a final boost to the fundraising.

It was one of those ideas that started small and then exploded. Raising awareness was even more important than the fundraising. If, as a result of this, just one person sees the signs and does something about it, that's incredibly powerful.

Laura Williams
HSEQ Advisor and leader of the campaign, Keller UK



3 GOOD HEALTH AND WELL-BEING



Good health and well-being

Our primary focus continues to be on the safety of our employees and contractors, and visitors to our working locations. Statistically there is evidence that our efforts are paying off with a further 20% reduction in our incident rates during 2019. We are reminded though of the work still to be done as a result of some serious incidents that occurred last year; the care of our injured employees and their families is critical. Our efforts on the improvement of working platforms for our large equipment are also paying off, with a decrease in rig topple incidents from eight in 2018 to three in 2019. Work will continue with the aim to eradicate these high-risk events from our operations. Moving into 2020 we will be placing additional emphasis on our 'Work Safe 6' initiative, designed to manage the causes of our most serious incidents. Learning from all incidents continues to be a major priority for us and the implementation of a new incident management process and system will drive this effort.

We actively monitor threats to health to ensure that we keep our staff, families and communities safe and prevent any adverse impact on our business activities. To address the risk of an employee contracting novel coronavirus, or COVID-19, we have implemented a number of precautionary measures, including approval to travel, postponement of large group events and general hygiene and personal health awareness.

A number of our operations take place in malaria endemic areas. We are committed to ensuring that the correct levels of awareness and controls are in place to prevent illness. In addition, we continue our efforts, primarily in Africa, to provide increased knowledge to our employees on the detection and treatment of HIV/AIDS, and have supported World AIDS Day.

Keller company named one of the best companies for apprenticeships

Keller's in-house equipment manufacturer KGS has been recognised as one of Germany's best apprenticeship companies for 2019.

The award is presented annually by German business magazine *Capital*, in cooperation with its partners such as apprenticeships jobs board Ausbildung.de.

Various aspects of the apprenticeship experience are examined including support,

learning in the company, chances of success, digitisation and innovation, and marketing. Of a total of 25 possible points, KGS scored 19 – an overall grade of 'A'.

KGS currently trains electronics technicians, industrial mechanics, construction machinery mechatronics technicians and industrial clerks.



4 QUALITY EDUCATION



Quality education

During 2019, we continued the roll-out of our group-wide development programmes which focus on Keller's principal activities of winning and executing work on behalf of clients. Our Project Manager and Field Supervisor Academies are well established and will continue to develop the commercial, leadership and administrative skills of our key project personnel. We have also successfully launched our Sales Counsellor programme to increase the company's capabilities in winning higher quality work from our clients.

Having successfully piloted a new leadership development programme in 2019, we will start

to roll this out in 2020. The Foundations of Leadership programme is aimed at middle, senior and executive managers to further enhance the people skills that Keller needs as an organisation. A further leadership programme beyond this one targeted at high-potentials, individuals as well as senior and executive management, will be piloted and launched during 2020.

We will also be strengthening our approach to talent management across the group by appointing a Group Head of Talent and Diversity in 2020. This appointment will help our key employees to develop their careers and to develop themselves in a more structured way and will help us as we think about our employees of the future.

Sustainability

continued

Bringing everyone together in Keller India

Keller India held two family days this year, bringing together office, yard and site-based employees of all levels and their families.

More than 200 people from offices, yards, and sites in the south of India attended an event in Chennai. A similar number from the north then came together in Lonavala, near Mumbai.

The events saw plenty of fun and games as well as Keller kids performances, giveaways and a professional entertainer. But the

highlight was a special dance performance to depict and celebrate India's diversity and cultural heritage with performers dressed in the traditional attire of a particular state.

▀▀ **Our family days are a great way for us to say thanks to all our staff for their unwavering hard work.**

▀▀ **Hari Krishna**
Managing Director, Keller India



Making geotechnical engineering more sustainable

Keller has teamed up with a UK university on a research project to explore ways of developing more sustainable geotechnical solutions.

Luke Deamer, Doctoral Practitioner in Sustainability, is from the University of Surrey's Centre for Environment and Sustainability. He's looking at how to identify and implement sustainability best practice in geotechnical companies.

"Clients, investors, employees and other stakeholders are taking more of an interest in how we're operating and the impact of what we do on society," says Luke. "So it's increasingly important that we're taking opportunities and innovating to become more sustainable."

While Luke is with the university, his research project is entirely designed to support Keller and he's based at the group's head office. The aim is to integrate sustainability into existing ways of working across

Keller using the UN Sustainable Development Goals as a framework.

He's currently trialling his approach in Keller's UK business. The plan is then to roll it out more widely, business unit by business unit, tailored to meet the priorities of local stakeholders.

"Sustainability shouldn't feel like a bolt-on or extra work. It's just a case of adopting a better, more sustainable way of doing the same things."

▀▀ **This is a very exciting project. Keller is committed to maintaining a sustainable business and meeting its corporate responsibilities and I hope my work will contribute towards this.**

▀▀ **Luke Deamer**
Doctoral Practitioner in Sustainability



Influencing women in engineering

Keller Group Company Secretary and Legal Advisor Kerry Porritt, was named one of the UK's top 100 most influential women in engineering this year.

The list of influential women was compiled by executive search agency Inclusive Boards. It aims to celebrate women who are contributing to engineering, regardless of role, and comprises a broad range from engineers and function heads, to business founders, chief executives and academics.

Attracting and retaining more women are very important to Keller and a lot of work has been done in this area.

We get involved with schools, colleges and universities to promote careers in engineering, and we're

looking at how we structure our apprenticeship and graduate scheme programmes.

In the US, we've recently launched the Keller Women in Construction programme, an initiative that puts targets in place for the number of females we interview, and looks at training, mentoring and career progression. Similarly in the UK we're working with the National Centre for Diversity to retain our Investors in Diversity status.

While recruitment's a huge part of creating a more diverse company, retention is just as important. Keller has a great culture where everyone is encouraged to realise their potential. We're trying to make our working environment more inclusive and a significant proportion of our Board are women.

►► **Diversity is hugely important to me. I mentor young women in business and those following the company secretary career path, and I've given talks on my own experiences. I also sit on Keller's Workforce Engagement Committee.**

▲▲ **Kerry Porritt**
Group Company Secretary and Legal Advisor



5 GENDER EQUALITY



9%

Women as % of all senior managers

9%

Women as % of all managers

8%

Women as % of engineers

Gender equality

We are committed to investing in our people so they have the right skills and are supported by a healthy workplace culture that is inclusive and collaborative. Our workforce at the end of the 2019 financial year by gender is set out below:

	Female	Male
Board of Directors	44%	56%
Executive Committee	9%	91%
Senior management	9%	91%
Engineers	8%	92%
Total workforce	10%	90%

Our total workforce gender diversity remained broadly unchanged for 2019, with 10% females and 90% males. We are working to address this imbalance and a key focus in 2020 is to develop a strategy that supports equal opportunities and creates a positive and empowering workplace in which all employees feel valued for their contribution and the impact they make.

During the course of 2019, the Keller Women In Construction ('KWIC') forum was established within our North America Division. We believe that diversity of people, skills and abilities brings energy and strength to our workplaces and increases our ability to create value for our stakeholders. We will be encouraging further focus groups on diversity across Keller going forward.

In 2020, we are committed to:

- Develop a diversity and inclusion strategy to ensure that Keller, in the longer term, is representative of the communities we serve and operate in
- Collaborate with our newly established Workforce Engagement Committee to ensure the voice of the workforce continues to contribute to Boardroom decision-making where relevant

Sustainability

continued

8 DECENT WORK AND ECONOMIC GROWTH



Decent work and economic growth

Our employees

Keller employs around 10,000 people worldwide, most of whom are working in front-line roles meeting with, and delivering for, our customers.

As a group, we believe in treating all employees with fairness, encouragement and respect, and we do not tolerate any behaviour or attitude that discriminates against anyone, coerces, intimidates, bullies or harasses others, or threatens them with verbal or physical violence. We support every individual's human rights and refuse the use of child labour and forced labour.

Communities

Geotechnical community

Our businesses take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the group maintain close contact with partner universities to share best practice and provide examples of their leading-edge engineering.

Many of our senior managers play key roles in the geotechnical construction industry's professional associations and activities around the world, getting involved in writing building codes, specifications, guidelines, and industry-wide safety initiatives.

Wider community

In terms of engagement with the wider community in which we work, we are generally working for a main contractor, who is the party responsible for consulting with any community affected by the project. Our work comes at the outset of a project and we are typically on and off the project very quickly; and our job sites can be in remote locations, where we have no interface with members of the public. They can also be in built-up areas or in proximity to the public, and on these projects we strive to reduce our noise and dust levels and to conduct our work in a considerate manner.

Typically, where we have some community engagement, it is by supporting our employees when they get involved with community groups and local charities.

13 CLIMATE ACTION



Climate action

Keller is committed to delivering its solutions in a socially and environmentally conscious manner. Over recent years reporting processes have improved and performance is generally encouraging, with the overall severity of incidents reported decreasing. The actual number of incidents remained in line with those reported the previous year, with most incidents being minor hydraulic leaks; this points to an increased discipline around the capturing of all incidents occurring. Keller works hard to undertake analysis and improve its processes to prevent recurrence.

Keller is committed to reducing the carbon intensity of our work and increasing the quality and granularity of our carbon reporting. As in previous years, Keller disclosed performance to CDP, formerly the Carbon Disclosure Project. In 2019, we maintained a score of B, with category improvements keeping us above the global average CDP score.

Keller also has a number of ongoing initiatives to improve the energy efficiency of our permanent and site-based operations. We have produced eight tier 4 final rigs, two tier 5 rigs and three electro-hydraulic rigs this year to reduce our emissions on-site, improve fuel efficiency and reduce fuel consumption. In our offices and yards, branches, such as the UK, have switched to green energy tariffs. Central, North-East, North-West and South-East Europe business units are also implementing recommendations from Energy Efficiency/ESOS Audits, with improvements including installing LED lights, replacing old single-glazed windows and educating employees about saving energy.

Third-party assurance statement

Independent verification in accordance with best practices required by ISO14064-3 standard on the Scope 1 and Scope 2 GHG accounts has been provided by Carbon Intelligence. Their summary opinion is provided below (full opinion and recommendations are available on request).

Based on the data and information provided by Keller and the processes and procedures conducted, Carbon Intelligence concludes with limited assurance that the GHG assertion:

- is materially correct;
- is a fair representation of the GHG emissions data and information; and
- is prepared in accordance with the criteria listed above.

It is our opinion that Keller has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Keller’s 2019 Scope 1 and Scope 2 emissions are broadly similar to 2018 values, allowing for regional changes in business. Scope 2 emissions are highly dependent on the projects completed annually. The change in project portfolio is reflected in the group and UK carbon intensity, with a decline in emissions relative to revenue from 2018 figures. A drop in hard engineering operations in Asia has seen a drop in equipment diesel, whilst the cessation of Waterway operations vastly decreased marine diesel usage in Australia.

Keller continues to seek improvements and innovations in its equipment and techniques to further improve upon the progress made in 2019.

The table below illustrates Keller’s global and UK energy use. Scope 1 and Scope 2 greenhouse gas emissions for 2019.

Group	2019	2018	2017	2016
Energy use MWh	811,881	817,256	870,244	707,615
Scope 1 tonnes CO ₂ e	198,289	202,238	214,208	173,707
Scope 2 tonnes CO ₂ e	9,159	9,349	10,025	10,319
Total tonnes CO ₂ e	207,448	211,587	224,233	184,025
Absolute tonnes of CO ₂ e per £m revenue	90	95	108	103

UK	2019	2018	2017	2016
Energy use MWh	16,724	16,496	16,062	17,832
Scope 1 tonnes CO ₂ e	3,915	3,850	3,694	4,222
Scope 2 tonnes CO ₂ e	265	295	400	358
Total emissions tonnes CO ₂ e	4,180	4,145	4,094	4,580
Absolute tonnes of CO ₂ e per £m revenue	64	66	70	73

1 Note that some of the fuel we use in our equipment is purchased by the main contractor and we are currently unable to report on these emissions due to difficulties with collecting accurate data.
 2 The Scope 2 figure provided is calculated using the location-based methodology. Please refer to Keller’s CDP submission for Scope 2 emissions calculated under the market-based methodology, as well as for Scope 3 emissions data.

Keller Group 2019 and 2018 greenhouse gas emissions (tCO₂e)

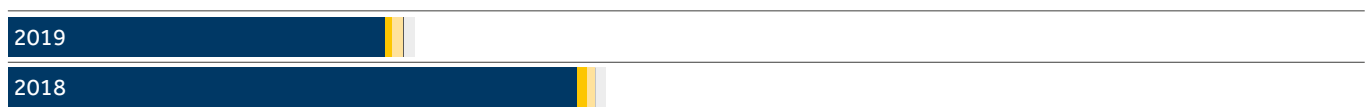
EMEA



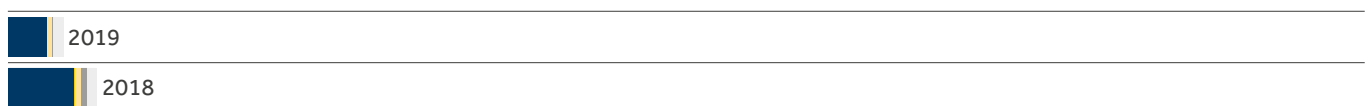
North America



Asia



Australia



0 20,000 40,000 60,000 80,000 100,000

● Equipment diesel ● Petrol ● Diesel ● Natural gas ● Other fuels ● Electricity

Sustainability

continued

15 LIFE ON LAND



Life on land

Overall the number of incidents impacting the environments that we work in fell by 10% in 2019. The volume of spilled material also fell significantly, with the vast majority being caused by failed hydraulic hoses. We continue to work on our preventative maintenance programmes to ensure that we address any issues before the event occurs. In addition, we ensure that secondary containment is in place for stored equipment and materials.

We continually seek to improve our processes on-site, specifically around job planning to ensure that we identify, mitigate and control our risks and minimise our impact on our environmental impact.

Innovation

We made good progress in 2019 in raising the importance of innovation as an industry differentiator throughout our workforce. In 2020,

we will be focused on further innovations in the electrification and digitisation of our equipment, and in researching more sustainable materials and methods of working on-site, proactively preparing our business for the future.

Keller's ways of working

Our Code of Business Conduct sets out clear and common standards of behaviour for everyone who works in and with Keller.

Our Code of Business Conduct sets out a framework to guide decision-making when situations aren't clear-cut. It also ensures a positive culture that keeps us successful. We operate in a way we can all be proud of and is a public statement of our commitment to high standards that tells others they can rely on our integrity.

The Code of Business Conduct is supported by our group policies and our modern slavery and human trafficking statement. Our ethics and compliance programme is now in its fourth year of supporting our employees to do the right thing – maintaining ethical and honest behaviour, respecting employees' rights and diversity, and staying free from bribery and corruption.

Keller's Code of Business Conduct and group policies, together with our 2019 statement on modern slavery and human trafficking, can be found at: www.keller.com/how-we-do-it/code-of-business-conduct.aspx.

The Strategic report has been approved and signed by order of the Board by:

Kerry Porritt
Group Company Secretary and Legal Advisor
3 March 2020

Chairman's introduction



Peter Hill CBE

Chairman



During 2019 we took a number of significant steps to strengthen our leadership, our effectiveness and our understanding of the needs of our stakeholders.



Dear shareholder

I am pleased to introduce the Corporate governance report for the year ended 31 December 2019, on behalf of the Board.

Corporate governance plays an essential role in how we operate the business. During 2019, we took a number of significant steps to strengthen our leadership, our effectiveness and our understanding of the needs of our stakeholders.

Board changes

There were several changes to the Board during the year. Chris Girling retired from the Board and from his role as Audit Committee Chairman on 1 January 2019, and was succeeded as Audit Committee Chairman by Paula Bell.

In October 2019, Michael Speakman, the Chief Financial Officer, was appointed as Interim Chief Executive Officer following the departure of Alain Michaelis. After a rigorous and extensive global search, and having considered both internal and external candidates, we appointed Michael as permanent Chief Executive Officer in December 2019. Michael is a highly experienced senior leader with a long track record at listed companies, as well as significant global knowledge gained in blue-chip engineering groups.

Mark Hooper, Keller's Group Financial Controller, became Interim Chief Financial Officer in October 2019 and remains in this position whilst we conduct an externally led search process. Although Mark is not a Director of the Board, he attends all Board and Audit Committee meetings.

In December 2019, we announced that Paul Withers, Senior Independent Director and Chairman of the Remuneration Committee, will retire from the Board at the conclusion of the company's Annual General Meeting in May 2020, having served on the Board for eight years. As part of the transition, Paul stood down as Senior Independent Director and Chairman of the Remuneration Committee with effect from 1 January 2020.

The Board appointed Baroness Kate Rock, Non-executive Director and Chairman of the Workforce Engagement Committee, as Senior Independent Director and Eva Lindqvist, Non-executive Director, as Chairman of the Remuneration Committee, both from 1 January 2020. Paul's retirement is aligned with our ongoing Non-executive Director succession planning process and our continued commitment to Board renewal.

We continue to review the Board's composition to ensure that we have the correct balance of experience, diversity and skills to drive our effectiveness. Concurrent with the retirement of Paul Withers, collectively, we have agreed that it is the right time to move to a more conventional plc board structure, by reducing the number of executive directors. Accordingly James Hind and Venu Raju will not stand for re-election as Executive Directors at the Company's Annual General Meeting on 21 May 2020. James and Venu will remain members of Keller's Executive Committee, retaining their current executive responsibilities as President of North America and Engineering and Operations Director, respectively. James will continue to play an important role in actively contributing to the Board's discussions and Venu, with his knowledge of the core of our business, geotechnical engineering, will remain a regular attendee at Board and Committee meetings.

Purpose and culture

The Board firmly endorses the vital role that a supportive corporate culture plays in a successful organisation. By creating and promoting a culture that encourages speaking up and listening, not only in the Boardroom but right across Keller, we will all benefit from diversity of thought in the workplace.

At the end of 2019, the Board began a series of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops are designed to enhance our

performance, both as a Board and as individuals, by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020.

Looking ahead

I am pleased with the strides forward we have made in 2019 and the plans we have put in place for 2020. The crucial decisions we have taken are proving to be the right ones – stabilising the group and positioning it for future growth within an environment of strengthened culture and governance.

We have complied with the provisions of the UK Corporate Governance Code 2018 throughout the year (the full text of which can be found at www.frc.org). The remainder of this report contains the narrative reporting variously required by the code, the Listing Rules and the Disclosure and Transparency Rules, setting out in greater detail the framework and processes that Keller has in place to ensure the highest levels of corporate governance. For more information on how we have complied, please see page 56.

I look forward to meeting shareholders at the AGM on 21 May 2020.

Yours faithfully,

Peter Hill CBE
Chairman
3 March 2020

Chairman’s introduction

continued

The role of the Board and its Committees

The Board is appointed by shareholders, who are the owners of the company. The Board’s principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the Companies Act 2006 and taking into account the interests of all stakeholders. Ultimate responsibility for the management and long-term success of the group rests with the Board.

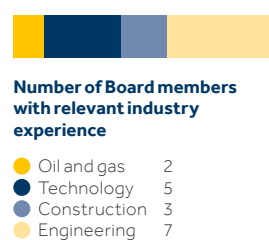
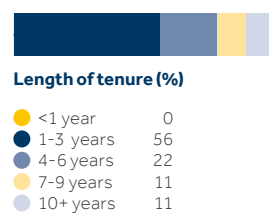
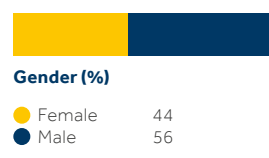
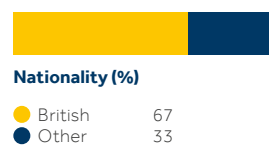


The Board delegates authority to manage the business to the Chief Executive Officer and also delegates other matters to Board Committees and management as appropriate. The Board has formally adopted a schedule of matters reserved to it for its decision.



The terms of reference for each of the Board’s Committees, which are reviewed on an annual basis, can be found on our website.

Board, skills and experience



Key roles	Responsibilities
Chairman	<p>Responsible for leading the Board, its effectiveness and governance.</p> <p>The Chairman is also responsible for the following matters pertaining to the leadership of the Board:</p> <ul style="list-style-type: none"> • Being the ultimate custodian of shareholders' interests. • Ensuring appropriate Board composition and succession. • Ensuring effective Board processes; • Setting the Board's agenda. • Ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions. • Ensuring effective communication with shareholders. • Ensuring constructive relations between Executive and Non-executive Directors.
Chief Executive Officer	<p>Responsible for the formulation of strategy, and the operational and financial business of the company.</p> <p>The Chief Executive Officer is also responsible for the following matters:</p> <ul style="list-style-type: none"> • Formulating strategy proposals for the Board. • Formulating annual and medium-term plans charting how this strategy will be delivered. • Appraising the Board of all matters which materially affect the group and its performance, including any significantly underperforming business activities. • Leading executive management in order to enable the group's businesses to meet the requirements of shareholders: ensuring adequate, well-motivated and incentivised management resources; ensuring succession planning; and ensuring appropriate business processes. <p>The roles of the Chairman and Chief Executive Officer are quite distinct from each other and are clearly defined in written terms of reference for each role.</p>
Senior Independent Director	<ul style="list-style-type: none"> • Works closely with the Chairman, acting as a sounding board and providing support. • Acts as an intermediary for other directors as and when necessary. • Is available to shareholders and other non-executives to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication. • Meets at least annually with the non-executives to review the Chairman's performance and carries out succession planning for the chairman's role. • Attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns.
Group Company Secretary and Legal Advisor	<ul style="list-style-type: none"> • Ensures good information flows to the Board and its Committees and between senior management and Non-executive Directors. • All Directors have access to the advice and services of the Group Company Secretary and Legal Advisor. The Group Company Secretary and Legal Advisor is responsible for ensuring that the Board operates in accordance with the governance framework it has adopted and that there are effective information flows to the Board and its Committees and between senior management and the Non-executive Directors. • The appointment and resignation of the Group Company Secretary and Legal Advisor is a matter for consideration by the Board as a whole.

Board of Directors



1 Peter Hill

Non-executive Chairman

Nationality: British

A mining engineer by background, Peter's early career was spent with natural resources companies. His experience includes board positions at organisations such as Volusion Group plc, Imagination Technology plc, Alent plc, Laird plc, Cookson Group plc, UK Trade and Investment, and the Royal Air Force. Peter became our Non-executive Chairman and Chairman of the Nomination Committee in July 2016. He is also Non-executive Director and Chairman-designate of Petra Diamonds Limited.

"We bring global scale and outstanding geotechnical expertise combined with local presence and knowledge to our clients: they know they can rely on us for both large and small contracts. Our challenge is to continue to earn this trust by providing better and more consistent delivery – wherever we operate and with whatever geotechnical methods we use. At the same time, we're working hard to provide employees with a safe, fair and collaborative environment, while also ensuring better and more consistent financial returns for our shareholders."

2 Baroness Kate Rock

Senior Independent Director

Nationality: British

Kate joined the Board in 2018 and is a member of the Audit, Nomination, Remuneration, and Health, Safety, Environment and Quality Committees. She is also Senior Independent Director and our designated Non-executive Director with responsibility for workforce engagement. A life peer, Kate is a member of the House of Lords Science and Technology Select Committee and sits on the board of the world's first Centre for Data Ethics and Innovation. She is also a Senior Adviser at Instinctif Partners.

"Without doubt it's our people that make Keller such a different sort of company. Every employee across the world brings something different to our business. We have such a vast mix of skills, experience and innovative thinking here. I'm proud to work with the best people in the industry."

3 Paula Bell

Non-executive Director

Nationality: British

Paula has 25 years' experience of working in global engineering and contracting, including many years on UK FTSE 250 plc boards. A Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant, she was appointed to our Board in 2018. Paula is a member of the Nomination, Remuneration, and Health, Safety, Environment and Quality Committees, as well as Chairman of the Audit Committee. She is currently the Chief Financial & Operations Officer of Spirent Communications plc.

"We're working hard to stay on the leading edge of technology while at the same time being able to draw on the right skillsets and capabilities to meet changing client needs. We know the importance of being agile and flexible yet professional, and of managing the risk/reward equation effectively."

4 Eva Lindqvist

Non-executive Director

Nationality: Swedish

Eva has held director-level positions with Ericsson and several other international companies in Norway, Sweden and Finland. She joined our Board in 2017 and chairs the Remuneration Committee and is a member of the Audit, Nomination, and Health, Safety, Environment and Quality Committees. Eva has an MSc in Engineering and Applied Physics and is a member of the Royal Swedish Academy of Engineering Sciences. She is also a Non-executive Director of Bodycote plc, Sweco AB, and Tele2 AB.

"Keller's international geotechnical experience, local focus and innovative culture gives us the ability to execute projects of all sizes to the highest standards and to deliver results that solve our clients' challenges, whatever they may be."

5 Nancy Tuor Moore

Non-executive Director

Nationality: American

Nancy has 40 years' project management experience in engineering and construction – with projects ranging in scale from \$2,000 to \$7bn. She was appointed to the Keller Board in 2014 and is a member of the Audit, Nomination, and Remuneration Committees and Chairman of the Health, Safety, Environment and Quality Committee. Nancy is also a Non-executive Director of Terracon, Inc. and IMA Financial Group, Inc., and Chairman of the Board of Governors for Colorado State University.

"Since joining the Board, I've been enormously impressed by the breadth of professional expertise that Keller deploys to serve our customers, large and small. We're now faced with the exciting challenge of enabling our employees to be involved in solving the infrastructure needs of a growing global population."

6 Dr Paul Withers

Non-executive Director

Nationality: British

Following qualification as a Chartered Mechanical Engineer, Paul became Group Managing Director at BPB plc, the international building materials business, where he spent his executive career. He was appointed to the Keller Board in 2012 and is a member of the Audit, Nomination, Remuneration, and Health, Safety, Environment and Quality Committees. Paul is also a Non-executive Director of Devro plc and Tyman plc.

"At its best, Keller is the most effective specialist geotechnical subcontractor in the world. As a former director of five different global plcs, I've gained knowledge and experience that helps me play a part in making sure that we're at our best at all times."

7 Michael Speakman

**Chief Executive Officer
Executive Director**

Nationality: British

Michael has more than 30 years' experience across a range of industries, holding senior operational, divisional and corporate roles in listed and private companies including TI Group plc, Smiths Group plc and Cape plc, before joining Keller in 2018 as Chief Financial Officer. He was appointed Chief Executive Officer in December 2019 and Chairman of the Executive Committee in September 2019.

"Keller is a great company with a long, proud, heritage of geotechnical achievement. The people in the Keller team are fantastic and are the source of these great achievements. It is my privilege to work with this talented and committed group of people, and assist them to develop the group's future legacy of achievements."

Michael holds a BSc in Engineering and is a Fellow of the Chartered Institute of Management Accountants.

8 Dr Venu Raju

**Engineering and Operations
Director
Executive Director**

Nationality: Singaporean

Venu studied civil engineering at the Indian Institute of Technology in Chennai, gaining his master's and doctorate degrees in the US and Germany respectively. He joined Keller in 1994 and held a variety of senior roles in Asia before becoming Group Director for Engineering and Operations in 2017 and relocated to the UK.

"I'm a civil engineer at heart and I'm passionate about geotechnical construction. My role is to drive Keller's expertise in engineering design and operational excellence with a particular focus on R&D and innovation. I'm excited by the opportunity to help create infrastructure that improves the world's communities, provide a fair return for our shareholders and keep our employees safe while doing it."

9 James Hind

**President, North America
Executive Director**

Nationality: British

James joined Keller in 2003 as our Group Finance Director and was appointed as President of Keller's North America Division in 2018. He qualified as a Chartered Accountant and has extensive global experience in the engineering and construction sector, as well as financial and strategic management more widely – including time at international packaging company DS Smith plc and in the New York office of Coopers & Lybrand.

"I am proud to work for a business that is both the global leader in its field and plays a key role in constructing buildings and infrastructure that improve people's lives. I'm convinced that the recent reorganisation and rebranding of Keller's North American operations will result in a leaner, more nimble business better positioned to provide first class solutions and service to our clients."

James has an MA (Hons) in History (Cambridge University).

Kerry joined Keller and took her place on our Executive Committee in 2013 and has been the group's Ethics and Compliance Officer since 2015.

"My role as a governance professional brings oversight and scrutiny to the decisions made at both Board and Executive Committee level. There's huge energy and positivity in our organisation at this time. We know there's a lot we can achieve that's within our own gift – and we're determined to get after it."

Kerry is a member of the European Corporate Governance Council and the Chartered Governance Institute's Company Secretaries' Forum.

Chris Girling

**Non-executive Director
(until 1 January 2019)**

Nationality: British

Chris was a member of the Board of Directors and a member of the Nomination, Remuneration, Health, Safety, Environment and Quality Committees and Chairman of the Audit Committee until 1 January 2019.

Alain Michaelis

**Chief Executive Officer
(until 30 September 2019)**

Nationality: British

Alain was appointed Chief Executive Officer of Keller in May 2015 and was a member of the Board of Directors until 30 September 2019.

10 Kerry Porritt

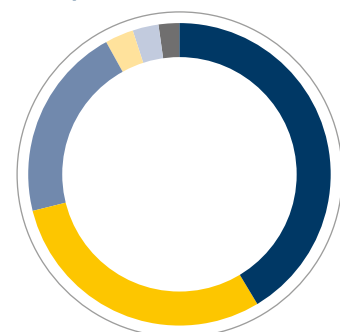
**Group Company Secretary
and Legal Advisor**

Nationality: British

Kerry has over 25 years' experience of governance within large, complex FTSE listed companies across a broad range of sectors. A Fellow of the Chartered Governance Institute, she holds an honours degree in Law.

2019 Board discussions – time spent (%)

● Strategy	42
● Finance	30
● Governance and risk	21
● Operational performance	3
● People	3
● Procedural	2



Executive Committee



Significant progress towards profitable growth

During 2019, the Executive Committee's focus was on delivery of our corporate objectives.

Safety

Delivered 21% reduction in Accident Frequency Rate (AFR) with no fatalities during the year.

Debt reduction

Achieved a net debt/EBITA ratio of 1.2x at year end.

Loss making projects

Reduced to 1.6% of revenue (from 1.9% in 2018).

Accelerated actions

- Launched a new Project Lifecycle Management (PLM) standard.
- Upgraded Keller's control and risk regime.
- Ensure that the group's £5m overhead and £5m cash stretch targets were delivered.
- Intensified focus on working capital.
- Significantly updated our suite of global finance standards and re-defined our approach to risk during 2019.
- Delivered overhead and capital expenditure £9m and £15m lower than budget respectively.

Portfolio

- Achieved the restructuring of the ASEAN and Waterway business units ahead of plan.
- Delivered the reorganisation of the North America Division.

1 Michael Speakman**2 James Hind****3 Dr Venu Raju****4 Kerry Porritt**

For full biographies
See pages 50 and 51

5 Thorsten Holl**President of EMEA**

Nationality: German

After qualifying as an industrial engineer in Germany, Thorsten studied for his master's degree in Australia before working with ABB and the Alstom Group, where he led several of its international businesses, including in China. He was appointed to the Executive Committee in 2015.

"As a global company our challenge is to remain ahead of the competition through differentiation and solid delivery. To do this, we offer a very well balanced combination of hands-on mentality and profound technological background – which come together to support an outstanding entrepreneurial approach and dedication to excellent performance."

Thorsten qualified as an Industrial Engineer (Technical University of Karlsruhe) and has a Master's of Commerce in Finance and Accounting (Wollongong University).

6 Peter Wyton**President, Asia-Pacific**

Nationality: Australian

An Australian national, Peter joined Keller and the Executive Committee in 2018 after 25 years with global infrastructure company AECOM. He has extensive experience in Asia-Pacific where he has helped deliver a wide range of major infrastructure projects across transport, construction, utilities, mining and industrial sectors.

"My role is to oversee full operations in Australia, South-East Asia and India – from our market positioning and major pursuits, through to safety and putting in good financial results. Combined with my experience of living and working in many countries around the world, I have a strong

sense of technology transfer and how to operate effectively in differing geographies."

Peter holds a Bachelor of Civil Engineering (Queensland University of Technology).

7 Eric Drooff**Chief Operating Officer, North America**

Nationality: American

Eric was born in Connecticut, but grew up in several different Latin American and European countries. After graduating with a degree in Civil Engineering, he worked for a general contractor in New York City before joining Hayward Baker – eventually becoming President. Eric was appointed Chief Operating Officer for Keller North America and joined the Executive Committee in 2018.

"I've been involved in construction projects for 40 years – from starting as a labourer to becoming an engineer and working up to divisional leader. Today, I'm responsible for our six North American foundation companies and I've spent a lot of time recently bringing those companies together under the One Keller name. This has made us a stronger, more nimble company able to provide a single, coherent, connected service to our clients."

Eric holds a BCSE from Bucknell University.

8 John Raine**Group Health, Safety, Environment and Quality ('HSEQ') Director**

Nationality: British

Currently based in Houston, Texas, John is an experienced HSEQ practitioner who has lived and worked all over the world. He joined Keller and the Executive Committee in August 2018 from engineers Amec Foster Wheeler.

"My role involves working with every level of the organisation – making sure everyone goes home safely every day and reducing our impact on the environment. Staying safe is a natural instinct, but one that also requires strong, pragmatic safety leadership. I like to think I have an

ability to seek out the best ideas and then find a way to get people involved, execute and deliver."

9 Graeme Cook**Group HR Director**

Nationality: British

Born and raised in Scotland, Graeme's career began over 25 years ago in finance in the UK, Africa, the Middle East and Asia. During these years, he saw the value of talent development and quickly decided to make HR his primary interest. He worked for BG Group plc, Legal & General Group plc and EnQuest plc in senior HR roles before joining Keller and the Executive Committee in 2017.

"Keller's culture is a significant differentiator. We're a global family of local teams connected by a sense of professionalism and pride. This is most usually evidenced by the quality of delivery of the projects we undertake on behalf of our clients; however, it's clearly palpable in the way that our organisation comes together when we connect the people of Keller."

Graeme holds an MA (Hons) in Accounting and Economics (University of Dundee).

10 Mark Hooper**Chief Financial Officer**

Nationality: British

Before joining Keller in January 2019, Mark held a number of senior financial roles across a range of UK and US listed businesses. He was appointed Chief Financial Officer on an interim basis in October 2019.

"As I have been getting around the business and meeting our people it is very noticeable that there is a strong level of collaboration and support across the team and also a desire to challenge and improve on what we do. As the group continues to be more connected and interaction with colleagues in other countries or different functions increases these behaviours can only help Keller become a better business."

Mark is a Fellow of the ICAEW and holds a BSc in Business Economics and Accounting from Southampton University.

11 Jim De Waele**Group Strategy Director**

Nationality: British

Jim brings over 30 years' industry experience to Keller. He joined the Executive Committee in 2018 and became our Group Strategy and Business Development Director in 2019, having managed our North-West Europe business for over a decade.

"Our local focus coupled with our global strength makes Keller different. This enables clients to work with a specialist contractor that understands the local market – the soil conditions, the supply of materials, the design conventions and even the local weather – while also drawing on experience gained around the globe."

Jim is a Chartered Engineer and fellow of the ICE and RICS.

Alain Michaelis**Chief Executive Officer (until 30 September 2019)**

Nationality: British

Alain was appointed Chief Executive Officer of Keller in May 2015 and was Chairman of the Executive Committee until 30 September 2019.

Corporate governance report continued

Leadership

Board and Committee meetings and attendance

Directors ¹	Board	Audit Committee	HSEQ Committee	Nomination Committee	Remuneration Committee	Workforce ³ Engagement
Paula Bell	12/12	4/4	3/3	4/4	4/4	–
Peter Hill	12/12	–	–	4/4	–	–
James Hind	12/12	–	–	–	–	–
Eva Lindqvist	11/12	3/4	3/3	3/4	4/4	–
Alain Michaelis ²	8/12	–	–	–	–	–
Nancy Tuor Moore	11/12	4/4	3/3	4/4	3/4	1/1
Venu Raju	12/12	–	–	–	–	–
Baroness Kate Rock	12/12	4/4	3/3	4/4	4/4	1/1
Michael Speakman	12/12	–	–	–	–	1/1
Paul Withers	12/12	4/4	3/3	4/4	4/4	–

1 Chris Girling retired from the Board and its Committees on 1 January 2020.

2 Alain Michaelis stood down as Chief Executive Officer and as Director effective 30 September 2019.

3 Graeme Cook and Kerry Porritt attended meetings as members.

Board diversity

We continue to support the need for diversity on the Board in order to provide the necessary range of backgrounds, experiences, values and perspectives to optimise the decision-making process. Ethnicity and gender are important aspects of diversity to which the Chairman and the Nomination Committee pay due regard when deciding upon the most appropriate composition of the Board and in considering wider executive succession planning.

The Board has identified a range of backgrounds, capabilities and experiences that are critical for the overall Board composition and this forms the key objective and basis for the search and assessment of candidates for future positions. Within this context, in the ongoing process of refreshing the Board, we have continued to encourage and welcome interest from women, Black, Asian and minority ethnic ('BAME'), as well as from other candidates who can add to the Board's diversity.

At the date of this Annual Report and Accounts, our Board comprises 44% (four) women and 11% (one) BAME. We are pleased that Board membership reflects the global operations of the group with representation from North America (US), EMEA (Sweden) and Asia-Pacific (Singapore) as well as the UK.

We do not currently propose to set targets for the percentage of women, BAME or other aspects of diversity on the Board in future years.

Within the Keller group, our overall senior management population comprises 9% women, our engineering/contract manager capability comprises 8% women, and female employees account for 10% of our organisational headcount as a whole.



Board site visit, North American Division, October 2019.

Directors' conflicts of interests

Under the Companies Act 2006, a Director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with Keller's interests. The Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Articles of Association give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. To address this issue, at the commencement of each Board meeting, the Board considers its register of interests and gives, when appropriate, any necessary approvals.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote Keller's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. These procedures on conflict have been followed throughout the year and the Board considers the approach to operate effectively.

Effectiveness

Directors and Directors' independence

The Board currently comprises the Chairman, five other Non-executive Directors and three Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 50 and 51. All of these Directors served throughout the year with the exception of Chris Girling, who retired as a Non-executive Director on 1 January 2019 and Alain Michaelis who served as Chief Executive Officer and a Director of the Board until 30 September 2019.

The Non-executive Directors constructively challenge and help to develop proposals on strategy and bring strong independent judgement, knowledge and experience to the Board's deliberations. Periodically, the Chairman meets with the Non-executive Directors without the Executive Directors present. Apart from formal contact at Board meetings, there is regular informal contact between the Directors.

Paula Bell, Eva Lindqvist, Nancy Tuor Moore, Baroness Kate Rock and Paul Withers are all considered to be independent Non-executive Directors. Peter Hill was independent at the time of his appointment as Chairman on 26 July 2016. Peter's other professional commitments are as detailed on page 50.

All Directors are subject to election by shareholders at the first AGM following their appointment and to annual re-election thereafter, in accordance with the Code.

Board evaluation and development

Progress against 2019 Board evaluation

In 2018, the London-based corporate advisory firm, Lintstock, carried out an external evaluation of the Board and its Committees, together with the performance of the Chairman and individual directors. All members of the Board and Board Committees, together with the Group Company Secretary and Legal Advisor, participated in this process. Lintstock presented the conclusions of the Board and Committee evaluation reports to the Board at its meeting in February 2019. A number of key points and development themes were identified that the Chairman agreed to progress with the Board and with the assistance of the Group Company Secretary and Legal Advisor. The following areas were actioned during the year:

- On-boarding recently appointed Directors to quickly develop their understanding of our operations, business model and the context in which we operate, as well as the team spirit that characterises Keller;
- Reviewing the Board calendar with a view to increasing the frequency of meetings and the time allowed, to take account of the newly enlarged Board, both executive and non-executive, and to allow for more in-depth discussion in consideration of newer Board members;
- Assessing the group's control environment and identifying areas for improvement;
- Continuing to review our strategy and options for shareholder value enhancement;
- Reviewing our capability against our objectives, and ensuring plans are put in place to address any perceived gaps;
- Ensuring greater clarity and a common understanding of the conclusions of Board discussions and agreed next steps;
- Enhancing our focus on stakeholder oversight in line with new Code requirements, including in relation to workforce engagement, culture and the overall people agenda; and
- Introducing Board workshops on engineering and technology in respect of the group's geotechnical products and operations.

The evaluation of the performance of the Chairman was reported back to Paul Withers, Senior Independent Director until 31 December 2019, and formed the basis of a development discussion between Paul and the Chairman in 2019.

2019/2020 Board evaluation

In December 2019, the Board commenced a series of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops are designed to enhance the performance of the Board and each of its members by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020 and will also provide the basis for an evaluation of the Chairman and his performance in 2020, which will be led by Baroness Kate Rock, the Senior Independent Director since 1 January 2020.

The Chairman has confirmed that the Directors standing for election at this year's AGM continue to perform effectively and to demonstrate commitment to their roles.

Development

On appointment, Directors are provided with induction training and information about the group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the group. This is supplemented by meetings with the company's legal and other professional advisors, and, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business.

Throughout their period of office, Non-executive Directors are continually updated on our business, markets, social responsibility matters and other changes affecting the group and the industry in which we operate, including changes to the legal and governance environment and the obligations on themselves as Directors.

In 2019, the Board visited the US, spending time with employees in the Keller North America offices in Hanover, Maryland. The Directors reviewed the North America Division, and received management presentations on the proposed reorganisation and rebranding of our foundations businesses, subsequently launched on 1 January 2020. We also received presentations on Moretrench Industrial and on our markets in California, Florida and Canada. In addition, Board members visited a Keller operational site on the Washington Wharf project.

Information and support

The Board and Committees are satisfied that they receive sufficient, reliable and timely information in advance of meetings and are provided with all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

For each Board and Committee meeting, Directors are provided with a tailored Board pack around five days before the meeting. To improve the delivery and security of meeting papers, we continue to use an electronic system that allows the Board to easily access information, irrespective of geographic location. Directors regularly receive additional information between Board meetings, including a monthly group performance update. If a Director is unable to attend a meeting, they are provided with all the papers and information relating to that meeting and have the opportunity to discuss issues arising directly with the Chairman and Chief Executive Officer.

Corporate governance report continued

Board activities

Business development and strategy

- Reviewed and refocused the group's strategy.
- Reviewed proposals for the integration of the foundations businesses in North America.
- Agreed the exit of activities in South America and commissioned a review of activities in South Africa.

Finance

- Evaluated and approved: the 2020 business plan and budget; the approach and process for the viability statement (see page 31 of the Strategic report for the process and the statement); and the approach and process for the Going Concern statement.
- Reviewed the company's forecast net debt levels, facility headroom and covenants and working capital.
- Considered and agreed the 2019 interim and final dividends.

Operational performance

- Received and considered the monthly operational performance of the divisions.
- Reviewed the company's contract performance for the year.
- In North America: received presentations from the President of the North American Division on the integration of the foundations businesses; on the newly acquired Moretrench Industrial business unit; on the markets in the Florida region; on plans for the Canadian business; and growth of the California based business.

People

- Appointed a new Chief Executive Officer.
- Reviewed the organisational framework and considered the Executive Committee succession plan.
- Appointed a designated Non-executive Director for Workforce Engagement and established a Workforce Engagement Committee.
- Approved Keller Limited's Gender Pay Gap report.

Risk

- Considered the principal risks and uncertainties which could impact the group.
- Reviewed the risk management framework with particular regard to its impact on making the viability statement.
- Considered the group's risk management framework and oversaw the implementation of a new project lifecycle management process.

Governance

- Implemented actions following the 2018 external Board Committee evaluation.
- Introduced a new series of Board workshops to strengthen culture.

Compliance with the 2018 UK Corporate Governance Code (the 'Code')

The company was subject to the Code in respect of the year-ended 31 December 2019. The Board is pleased to confirm that the group applied the Principles and complied with the provisions of the Code. Further information on compliance can be found below.

Board leadership and purpose	Read more:
Promoting the long-term sustainable success of the company	4
Alignment of purpose, values and strategy with our culture	47
Effective controls framework	57
Stakeholder engagement	58–59
Workforce policies and practices	46
Division of responsibilities	Read more:
The role of the Chair	48
Division of responsibilities	48
Non-executive directors	48
Information and support	55
Composition, succession and evaluation	Read more:
Succession planning	64
Skills and experience	48
Board diversity	54
Board evaluation	55
Audit, risk and internal control	Read more:
Internal and external audit functions	68
Fair, balanced and understandable	67
Risk management	30–38
Remuneration	Read more:
Remuneration policies and practices supporting strategy and promoting long-term sustainable success	72–75
Procedure for developing policy on executive remuneration	72
Shareholder engagement	70
Workforce engagement and policy alignment	60–61

Accountability

Internal control

The Board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the guidance of the Financial Reporting Council.

Details on the identification and evaluation of risk can be found in the section headed 'Principal risks and uncertainties' on pages 30 to 38.

The principal elements of the internal control framework are as follows:

(a) Board delegated approvals

Documented authorisation procedures provide for an auditable trail of accountability. These procedures are relevant across group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board.

(b) Management of project risk

Project risk is managed throughout the life of a contract from the bidding stage to completion.

We perform detailed risk analyses covering technical, operational and financial issues as part of the bidding process. Authority limits applicable to the approval of bids relate both to the specific risks associated with the contract and to the total value we are bidding for, or any joint venture to which we are a party. Any bids involving an unusually high degree of technical or commercial risk, for example those using a new technology or in a territory where we have not previously worked, must be approved at a senior level within the operating business.

On average, our contracts have a duration of around six weeks but larger contracts may extend over several months or years. The performance of contracts is monitored and reported by most business units on a weekly basis. In addition, thorough reviews are carried out by senior managers on any poorly performing jobs, with full cost-to-complete assessments routinely carried out on extended duration contracts.

Further detail on the management of project risk is provided in the section headed 'Principal risks and uncertainties' on pages 30 to 38.

(c) Health and safety

Regular reporting, monitoring and reviews of health and safety matters are made to the HSEQ Committee and the Board.

(d) Budgeting and forecasting

There is a comprehensive budgeting system with an annual budget approved by the Board. This budget includes monthly profit and loss accounts, balance sheets and cash flows. In addition, forecasts are prepared for the two subsequent years. Forecasts for the full year are regularly updated during the year.

(e) Financial reporting

We prepare detailed monthly management accounts which compare profit and loss accounts, balance sheets, cash flows and other information with budget and prior year, and investigate significant variances.

(f) Treasury control

Each business reports its bank position weekly. Regular forecasts are prepared to monitor the group's short- and medium-term funding positions and to control immediate borrowing requirements.

(g) Investments and capital expenditure

All significant investment decisions, including capital expenditure, are referred to the appropriate divisional or group approval level.

(h) Internal audit

We operate a structured programme of independent, outsourced audit reviews, covering tendering, operational processes and internal financial controls. The intention is to conduct an internal audit of all material business units at least once every four years. This programme has been carried out by PwC since 2010. The programme is approved and monitored by the Audit Committee, which reviews the findings of the audit work.

(i) Electronic Internal Control Questionnaire ('EICQ')

Each year, every principal business unit is required to complete an electronic questionnaire responding to whether key internal financial and non-financial controls are in place. The results of these questionnaires are summarised in a 'heat map', which is presented to, and discussed by, the Audit Committee. The responses to the questionnaires are also reviewed by PwC during each internal audit.

(j) Annual compliance statement

Once a year, managers are asked to confirm the adequacy of the systems of internal controls for which they are responsible. They are also asked to confirm their compliance with group policies, local laws and regulations, and to report any significant control weaknesses or 'breakdowns' identified in the past year.

(k) Code of Business Conduct

Our Code of Business Conduct and 10 group policies set out standards regarding how we conduct business in all business units worldwide. All business units are required to self-certify that they are compliant with the code, which is also considered as part of the independent review process.

(l) Whistleblowing procedures

We introduced an externally facilitated whistleblowing hotline service in 2016, and encourage employees to use this in order to raise genuine concerns about malpractice at the earliest possible stage. Any issues raised under our procedures are thoroughly investigated and reported back to the Audit Committee.

The management of financial risks is described in the Chief Financial Officer's review on page 29.

S172 statement

As a Board, we have always taken decisions for the long term. Collectively and individually. Our aim is always to uphold the highest standards of conduct. We understand that our business can only grow and be successful over the long term if we understand and respect the views and needs of our employees, customers and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

In summary, as required by Section 172 of the UK Companies Act, a director of a company must act in the way they considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The directors of Keller – and those of all UK companies – must act in accordance with a set of general duties. These duties are detailed in the UK Companies Act and include a duty to promote the success of the company, which is summarised below. As part of their induction, the directors are briefed on their duties and they can access professional advice on these – either through the company or, if they judge it necessary, from an independent provider. The directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the company. The Board recognises that such delegation needs to be much more than simple financial authorities and, in this section of the report, we have summarised our governance structure. This covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the Board looks to ensure that we have a robust system of control and assurance processes.

For more detail on our governance structure, see page 48.

Our stakeholders and why they are important to us

Shareholders

Delivering for our shareholders ensures that the business continues to be successful in the long term and can therefore continue to deliver for all our stakeholders.

Employees

Our people are our most valuable asset. We want them to be inspired and motivated, equipped with the right skills, tools and standards to be successful.

Customers

Our customers are central to our business – without them we would not exist. We want to deliver a consistently high performance in an efficient and continuously improving way across all our strategic levers so as to meet our customer's needs.

Suppliers

Building strong relationships with our suppliers enables us to obtain the best value, service and quality. We want to work with suppliers who understand us and adhere to our ways of working.

Communities

What we do is an integral part of the community and the community is ultimately our customer. Poor relationships can damage and even destroy our reputation. Good relationships win us goodwill.

Overview of how the Board performed its duties

Shareholders

Strategy – the Chief Executive Officer and the Chief Financial Officer met major shareholders following the preliminary announcement of the group's 2018 results and the announcement of the group's 2019 interim results to discuss a number of matters, including progress against the group's strategy. Following these announcements, analysts' notes were circulated to the Board.

Performance – the Chief Executive Officer met major shareholders following the group's trading update announcement in October 2019. The Chairman and Baroness Kate Rock, Senior Independent Director, met with shareholders to discuss group performance and risk management throughout the year.

Website – the investor relations section of our website can be found at www.keller.com/investors. It provides information on the financial calendar, dividends, Annual General Meetings ('AGMs') and other areas of interest to shareholders. Copies of Annual Reports and investor presentations are available to view and download. Shareholders can also register to receive 'news alerts' relating to the group's activities.

AGM – the Board uses the AGM as an opportunity to communicate with shareholders, who are invited to attend, ask questions and meet directors prior to, and after, the formal proceedings. The Chairman of the Board committees are present at the AGM to answer questions on the work of their committees.

The results of the voting at the 2019 AGM can be found on our website.

Dividend – we have consistently and materially grown our dividend in the 25 years since listing. We have strong cash generation and a robust balance sheet, which together support our ability to continue to increase the dividend to shareholders sustainably through the market cycle.

Outcomes for our shareholders:

- Keller is a stable business with a long term track record.
- Continued growth opportunities.

Employees

Workforce engagement – during 2019, the Board formalised its approach to engagement with the workforce, appointing Baroness Kate Rock as Keller's designated Non-executive Director and establishing a Workforce Engagement Committee. Kate visited sites and offices in each of the three divisions in 2019, which gave her the opportunity to engage directly with employees on a variety of topics. The Workforce Committee, comprising Kate as Chairman, Nancy Tuor Moore, the Chief Executive Officer, Group HR Director and Group Company Secretary and Legal Advisor, has put in place a programme of activities for 2020 that aligns with Keller's people agenda and priorities.

Communications – we communicate regularly with our employees through face to face meetings, webcasts, our Company intranet and newsletter and site and office visits.

Employee events – we organise and hold family days and events such as Keller Cup and Keller Ski throughout the year that enable our employees to engage with each other and with senior management on a more social level.

Outcomes for our employees:

- Local and global opportunities.
- Development and training.
- Long-term employment.

Customers

Contact – the Chief Executive Officer and the Divisional Presidents are in regular contact with our customers, and they regularly brief the Board on our performance in delivering on our commitments to customers and the quality of these critical relationships.

Research – we conduct a wide range of customer research to better understand their expectations of us.

Outcomes for our customers:

- Benefit from Keller's global strength and local focus.
- Provision of cost effective geotechnical solutions.

Suppliers

Procurement – established in 2016, our procurement function has worked hard to understand our supply chain and how to develop deeper and more strategic relationships with key suppliers.

Working together to do the right thing – Keller's Supply Chain Code of Conduct sets out our expectations that our supply chain should respect the human rights of their employees and contractors and treat them fairly, in accordance with all applicable laws.

Outcomes for our suppliers:

- Local relationship with a financially strong global company.
- Support in meeting global supply chain standards.

Community and environment

Contributing to the community – the Board recognises the importance of leading a company that not only generates value for shareholders but also contributes to wider society.

Our environmental impact – as a geotechnical engineering specialist, we understand that environmental and climate risks could impact us directly. We are committed to reducing the environmental impact of our operations and products, and to minimise our environmental impact.

Outcomes for our communities:

- Local employment.
- Charitable partnerships.
- Participation by our employees in community events.
- Sustainable commitments.

Workforce Engagement Committee report



Baroness Kate Rock

Chairman of the Workforce Engagement Committee

 For full biographies
See pages 50 and 51

Composition of the Committee

Baroness Kate Rock (Chairman and Designated Non-executive Director for Workforce Engagement from 19 April 2019)

Graeme Cook

Nancy Tuor Moore

Kerry Porritt

Michael Speakman

Role of the Committee

The role of the Committee is to define the term 'workforce' in the context of Keller, and to review the relevant workforce policies and practices. In addition, we are responsible for ensuring that the company has policies in place that encourage individuals to raise concerns. We are also tasked with understanding the key concerns of the workforce and how Keller is addressing them. Finally, we

work closely with the Remuneration and Health, Safety, Environment and Quality Committees, making recommendations to the Board on whether Keller's policies and practices are in line with the purpose and values, and support the desired culture.

The Chairman of the Committee reports to the Board on the Committee's activities at the Board meeting following each meeting.

Highlights of the Committee's activities in 2019

- Visited Keller's three divisions to meet with employees.
- Agreed the 2020 programme of work, which will focus on further engagement.
- Commissioned a 2020 employee culture survey.

Dear shareholder

Having joined the Keller Board in 2018, and been appointed Keller's designated Non-executive Director for Workforce Engagement in April 2019, it is my pleasure to present this, our first report on Workforce Engagement, for the year ended 31 December 2019 on behalf of the Board. Last year, when I was interviewed for the 2018 Annual report and asked what I would be focusing on in 2019, I said that I was hugely looking forward to meeting more of our employees and discussing their roles, thoughts and ideas.

And that is exactly what I've been doing. Throughout 2019, I visited a range of Offices and sites in North America, Europe and Asia-Pacific and spoke to site workers, engineers, project managers, functional professionals and managers. I was pleased to be accompanied on occasion by a number of my fellow Non-executive

Directors and senior management colleagues. I discovered a diverse, creative and engaged workforce all focused on making Keller the very best it can be – operationally, financially and as a place to work. I have taken the opportunity to report back to the Board on their thoughts and ideas, including how we can take best practice from one location and use it to create better practices elsewhere.

Committee

In December 2019, we held our first Workforce Engagement Committee meeting at which we agreed our composition and terms of reference to best support our activities. The Committee comprises a mixture of Non-executive Directors and senior management as we prioritise our activities around the Keller People agenda and the delivery of our obligations under the Corporate Governance Code.

Our obligations will be delivered by:

- ensuring that the ‘voice of the employee’ is considered within the Boardroom, with Committee members regularly visiting company locations to engage directly with employees and by reviewing formal data and informal feedback that has been obtained from the workforce with management;
- regularly reviewing Keller’s HR strategy as to its appropriateness in delivering the strategy and supporting our values and desired culture; and
- identifying consistent themes received via feedback from employees and ensuring that they are incorporated within Keller’s updated HR strategy, along with the introduction of any Board identified topics that support the company’s business strategy and desired culture.

Our Committee is scheduled to meet three times a year and I will report back to the Board after each meeting, as well as following each visit I make to the business. One meeting per year will be held in conjunction with the Health, Safety, Environment and Quality Committee to ensure that we are aligned on the workforce implications for our sustainability agenda. Our Non-executive Directors have an open invitation to attend meetings.

The Committee’s terms of reference can be found on our group website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

Activities

During 2019, I carried out four visits to Keller businesses. In July, I spent a day with colleagues in the Singapore office and received an update on the much improved performance in the ASEAN business unit. The following month, I attended a

Project Manager Academy training session and carried out a site and yard visit in Frisco, Texas, before visiting our North America corporate office in Hanover, Baltimore. You can read more about the Keller Women in Construction (‘KWIC’) initiative being set up in North America on page 43, and I am delighted to be sponsoring it at a Board level.

Lastly, in November, I visited our corporate offices in Offenbach, Germany as well as going out to site. I met several senior business unit leaders but also took the opportunity to meet with a number of our Legal, HR and Engineering professionals and discuss with them their thoughts and ideas on culture, continuous improvement and sustainability.

Looking forward

In 2020, we will be piloting a new Culture and Employee Engagement programme in Keller. This will provide the necessary tools, training and resources to enable managers and employees to engage on leadership and action improvement plans. Additionally, we have identified a number of opportunities for the Committee to continue its direct engagement with the workforce. I will continue to give the Board feedback on the thoughts and ideas of our employees, ensuring that our workforce is represented appropriately in the Board’s decision-making process.

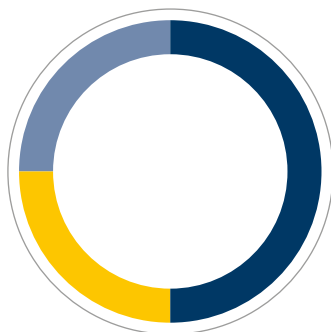
Baroness Kate Rock
 Chairman of the Workforce Engagement Committee
 3 March 2020

Throughout 2019, I visited a range of offices and sites in North America, Europe and Asia-Pacific.

Baroness Kate Rock
 Chairman of the Workforce Engagement Committee

2019 Workforce Engagement Committee meetings – time spent (%)

● People	50
● Governance	25
● Strategy	25



Health, Safety, Environment and Quality Committee report



Nancy Tuor Moore

Chairman of the Health, Safety, Environment and Quality Committee

 For full biographies
See pages 50 and 51

Composition of the Committee

Nancy Tuor Moore (Chairman)
Paula Bell
Eva Lindqvist
Baroness Kate Rock
Paul Withers
Chris Girling (until 1 January 2019)

Role of the Committee

The role of the Committee is to help the Board of Directors fulfil its oversight responsibilities in relation to health, safety, environment, and other sustainability matters, arising out of the activities of the group. We are also responsible for monitoring and reviewing the group's health and safety framework in line with applicable laws and regulations. In addition, we evaluate and oversee the quality and integrity of the company's reporting to external stakeholders concerning sustainability matters.

Highlights of the Committee's activities in 2019

- Monitored progress against the year's health, safety and environment objectives.
- Monitored progress against the group's sustainability policy and framework.
- Monitored and reviewed the group's Health, Safety and Well-being Policy and compliance thereof.
- Monitored and reviewed the group's Quality and Continuous Improvement policy and compliance thereof.
- Reviewed the terms of reference of the Committee.

- Reviewed the effectiveness of the Committee through an externally-led evaluation process.
- Received regular updates on continuous improvement initiatives.

Dear stakeholder

On behalf of the Board, I am pleased to present the report for the Health, Safety, Environment and Quality ('HSEQ') Committee for the year ended 31 December 2019.

Keller seeks to help create infrastructure that improves the world's communities, putting safety first and being recognised as a company that all stakeholders can rely on. We are committed to a zero harm culture and will continue to develop our safety leadership across the group to increase visibility in the field and strengthen our messaging.

Members of the HSEQ Committee and the Board visited a number of operational sites during the year, which enabled us to meet colleagues on the ground and to gain an understanding of the health and safety practices and culture across the group. The insights we gained from these visits have informed the work and considerations of the Committee.

Our safety performance continues to improve and the group's overall Accident Frequency Rate for 2019 reduced by 21% to 0.15 per 100,000 hours worked.

Despite the improvement in general safety performance, the increase in major injuries during the year will form a significant part of our 'Work

Safe 6' improvement plan which places a strong emphasis on our key risks.

As part of the evolution of our strategy on continuous improvement, we've placed considerable effort and focus on LEAN and 5S. Both improvement initiatives ensure that workplaces and sites operate more efficiently and effectively, making projects run more smoothly – which is not only better for our stakeholders, but also for long-term sustainability.

During the year, a number of technological solutions were introduced on-site which have streamlined processes, reduced administration and therefore enhanced our capability to deliver better results. For example, the new incident management system improves our understanding of, and reaction to, unplanned events, including an increase in senior leadership involvement in incident reviews.

Sustainability continues to be a priority for the group, and in 2019 a sustainability forum, comprising key functional leaders, was established to measure progress against the company's commitments. A sustainability strategy with a specific focus on geotechnical companies is being developed and will be used as a blueprint for setting our objectives in 2020. Our sustainability report which sets out our priorities for 2020, together with progress to date on our commitments, can be found on pages 39 to 46.

The Committee will continue to work with management to oversee ways of improving the health, safety and environmental performance of the group, and to agree priorities that consider the needs of our stakeholders and drive the right behaviour. Looking ahead, we will establish a Safety Leadership Committee, comprising a number of Executive Committee members, for the purposes of:

- ensuring the safety leadership message is jointly owned at the highest level and sets the tone for the company;
- ensuring that the correct levels of safety leadership training and development are in place and delivering on our cultural expectations;
- providing a meaningful, positive recognition programme to reward desired behaviours; and
- introducing metrics on key leadership site visits and engagement in incident review boards.

In addition, during the coming 12 months we look forward to management focusing on providing further education on the controls required to protect our employees from our key risks, with specific emphasis placed on material handling and people/equipment interface.

We also expect to see management building and expanding on the technological solutions introduced in 2019.

Corporate governance

The remit of the Committee is set out in its terms of reference which were reviewed during the year and are available on the group’s website (www.keller.com) and on request, from the Group Company Secretary and Legal Advisor.

The Committee is required to meet at least three times a year. During this financial year we met three times, with attendance at these meetings shown on page 54.

The membership of the Committee comprises the Non-executive Directors of the company. The Committee may invite members of the senior management team to attend meetings where it is felt appropriate and the Board Chairman, Chief Executive Officer and the Group’s HSEQ Director regularly attend meetings of the Committee. Divisional Presidents are required to report to the Committee in the event of an incident that had, or has the potential to have life altering/life ending consequence, or near-miss occurrence and other members of the Executive Committee may be invited to attend on occasion.

The Committee’s performance was evaluated by Lintstock, the London-based advisory firm in 2018 and presented to the Board in 2019. During the year, we progressed a number of key themes, including evolving our understanding of the safety processes being built within the organisation and overseeing the continued implementation of a safety-focused culture.

In December 2019, the Board began a number of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops are designed to enhance the performance of the Board and each of its members by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020 and the outcomes will be reported in our next annual report and accounts.



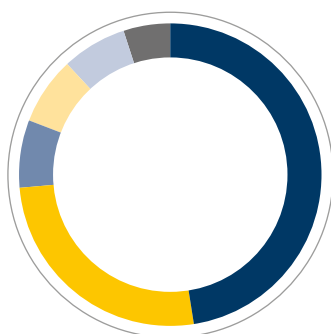
Nancy Tuor Moore
 Chairman of the Health, Safety,
 Environment and Quality Committee
 3 March 2020

The Committee will continue to work with management to oversee ways of improving the health, safety and environmental performance of the group, and to agree priorities that consider the needs of our stakeholders and drive the right behaviour.

Nancy Tuor Moore
 Chairman of the Health, Safety,
 Environment and Quality Committee

2019 Health, Safety, Environment and Quality Committee meetings – time spent (%)

● Safety	40
● Quality	22
● Administrative	6
● Governance	6
● Sustainability	6
● Procedural	4



Nomination Committee report



Peter Hill
Chairman of the Nomination Committee

 For full biographies
See pages 50 and 51

Composition of the Committee

- Peter Hill (Chairman)
- Paula Bell
- Eva Lindqvist
- Nancy Tuor Moore
- Baroness Kate Rock
- Paul Withers
- Chris Girling, (until 1 January 2019)

Particular areas of focus this year included the appointment of a new Chief Executive Officer.

Peter Hill
Chairman of the Nomination Committee

Role of the Committee

The role of the Nomination Committee is to recommend the structure, size and composition of the Board and its Committees. It is also responsible for succession planning of the Board and executive management, and for promoting the overall effectiveness of the Board and its Committees.

Highlights of the Committee's activities in 2019

- Appointed a new Chief Executive Officer and appointed Interim Chief Financial Officer.
- Continued to develop and monitor succession plans for the Board.
- Managed the appointment and reappointment of Board members.
- Monitored the length of tenure of the Non-executive Directors.
- Reviewed the terms of reference of the Committee.

Dear shareholder

Welcome to the report of the Nomination Committee for the year ended 31 December 2019.

The Committee has continued to review the balance of skills on the Board as well as the knowledge, experience, length of service and performance of the Directors. During the year, we met four times, with attendance at these meetings shown on page 54.

Particular areas of focus this year included the appointment of a new Chief Executive Officer and the appointment of an Interim Chief Financial Officer.

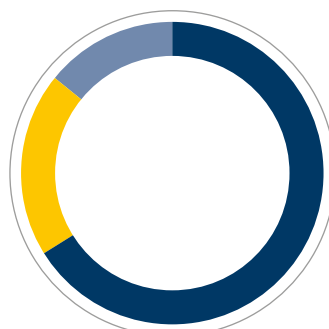
Succession planning

We have continued to develop and monitor succession plans at Board level. The length of tenure for Non-executive Directors is two terms of three years each, to be followed by annual renewal of up to three years, which gives us greater flexibility in our succession planning and timing.

With the departure of Alain Michaelis in September 2019, we commenced a process to recruit a new Chief Executive Officer – a process led by me and overseen by the Committee. I worked with the Group Company Secretary and Legal Advisor to agree the profile and criteria for selection, and also sought input from members of the Board and the Group HR Director to ensure alignment.

2019 Nomination Committee meetings – time spent (%)

● Succession planning	57
● Procedural	17
● Governance	12



We were committed to a rigorous and global search, and we approached a number of search firms before selecting The Lygon Group ('Lygon'). Based on the profile and criteria selection, together with individual interviews with the Board, Lygon identified a long list of candidates for review.

Following discussion in the Committee, the long list was narrowed down to a shortlist of candidates, both internal and external, for whom Lygon then sought detailed references. We also took soundings from our advisors.

These candidates were invited to meet with me, the Senior Independent Director, and the Group Company Secretary and Legal Advisor.

Following this detailed process, the Nomination Committee recommended the appointment of our preferred candidate, Michael Speakman, as our permanent Chief Executive Officer. We announced Michael's appointment on 12 December 2019.

Board evaluation

The Committee's performance was evaluated by Lintstock, the London-based advisory firm in 2018 and presented to the full Board in 2019. During the year, we progressed a number of key themes, including Board composition and succession planning.

In December 2019, the Board began a number of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops are designed to enhance the performance of the Board and each of its members by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020 and the outcomes will be reported in our next annual report and accounts.

Board effectiveness and skills

As part of our work regarding Board effectiveness, Committee activities included:

- Considering the number of Executive and Non-executive Directors on the Board, and whether the balance is appropriate to ensure optimum effectiveness.
- Reviewing the balance of industry knowledge, relevant experience, skills and diversity on the Board.
- Assessing and confirming that all the Non-executive Directors remain independent..

We are confident that each Director remains committed to their role. In our view, the Board continues to work well and benefits from an appropriate and diverse mix of skills and industry knowledge. Collectively, the Directors bring a range of expertise and experience of different business sectors to Board deliberations, and this encourages constructive and challenging debate around the boardroom table.

Our Committee continues to work to balance the skills and experience of the Board members to meet the changing needs of the business. Having a good mix of skills plays an important role in keeping the Board relevant and up to date with the market. Further details on these skills can be found on page 49.

Board diversity

We continue to encourage and welcome interest from women, as we do from any other candidate who will contribute to the Board's diversity. As the Board's overriding objective is to continue to provide effective leadership, we continue to recommend only the most appropriate candidates for appointment. For this reason, no formal targets have been set for female or other aspects of diversity at Board level. For further information on diversity at Board level as well as more generally at Keller, please see page 54.

Non-executive appointments and time commitments

When we make recommendations to the Board regarding Non-executive Director appointments, we will consider the expected time commitment of the proposed candidate, and any other existing commitments, to ensure that they have sufficient time available to devote to the company.

Before accepting any additional commitments, Non-executive Directors will discuss them with the Chairman of the Board, or in the case of the Chairman, with the Senior Independent Director and the Chief Executive Officer. Board agreement is required to ensure that any conflicts of interest are identified and that the individual will continue to have sufficient time available to devote to the company.

Independence and re-election to the Board

Every year, we review the composition of the Board to ensure that it continues to provide an effective balance of skills, experience and knowledge.

During 2019, we conducted a review of the independence of Paul Withers as his appointment expired at the end of year. Paul was not present during our discussions. Following the review, we were satisfied that it was appropriate to

recommend to the Board that Paul's appointment should be extended for a further year, noting the intention of Paul to retire from the Board at the conclusion of the company's Annual General Meeting in May 2020.

We continue to review the Board's composition to ensure that we have the correct balance of experience, diversity and skills to drive our effectiveness. Concurrent with the retirement of Paul Withers, collectively, we have agreed that it is the right time to move to a more conventional plc board structure, by reducing the number of executive directors. Accordingly James Hind and Venu Raju will not stand for re-election as executive directors at the Company's Annual general meeting on 21 May 2020. James and Venu will remain members of Keller's Executive Committee, retaining their current executive responsibilities as President of North America and Engineering and Operations Director, respectively. James will continue to play an important role in actively contributing to the Board's discussions and Venu, with his knowledge of the core of our business, geotechnical engineering, will remain a regular attendee at Board and Committee meetings.

Corporate governance

The Committee's terms of reference are available on the group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

Only the Chairman and Non-executive Directors are members of the Committee, and no other person is entitled to be present at Committee meetings. We may invite members of senior management to attend meetings where we feel it is appropriate, and the Chief Executive Officer and Group HR Director both attended certain meetings during the year.

The 2019 external evaluation concluded that, consistent with the code and our own terms of reference, the Nomination Committee is discharging its obligations in an effective manner.

In accordance with the requirements of the Code, all members of the Board, with the exception of Paul Withers, James Hind and Venu Raju, will seek re-election at the Annual General Meeting in May 2020.



Peter Hill CBE
Chairman of the Nomination Committee
 3 March 2020

Audit Committee report



Paula Bell

Chairman of the Audit Committee

 For full biographies
See pages 50 and 51

Composition of the Committee

Paula Bell (Chairman)
Eva Lindqvist
Nancy Tuor Moore
Baroness Kate Rock
Paul Withers
Chris Girling (until 1 January 2019)

Role of the Committee

The Committee is responsible for overseeing the internal risk management framework, ensuring effective internal controls are in place, financial reporting and appropriate external audit arrangements.

Highlights of the Committee's activities in 2019

- Appointment of EY in 2019, bringing a fresh approach to the external audit.
- Reviewed the cause of internal control issues in the ASEAN business, recommended actions and monitored progress until completion.
- Reviewed and extended the scope of the internal audit programme.
- Reviewed progress of key improvements made to the group's internal control systems.

- Reviewed the key Group Financial Standards which formalise financial policies and procedures.
- Refreshed the approach to risk appetite and approved the new Group Enterprise Risk Management Standard.
- Reviewed the Project Lifecycle Management ('PLM') Standard designed to bring increased controls to project tendering and performance management.
- Review of terms of reference.
- Reviewed the effectiveness of the Committee through an externally-led evaluation process.

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our report for the financial year ended 31 December 2019. I joined the Committee in September 2018 and was appointed Chairman on 1 January 2019, following Chris Girling's retirement.

The group operates within a large, global and fast-changing environment, which requires an adaptive approach to assurance.

The Committee has focused on developing the integrity of the control landscape and ensuring that a satisfactory risk management framework is in place. We have continued to follow a detailed programme of work to respond to the increasing depth of review and reporting required of audit committees. Mindful of the new Corporate Governance Code requirements for boards to perform a robust assessment of emerging risks in addition to the principal risks, we have adopted this scope accordingly.

During 2018, a number of significant control weaknesses were identified within the ASEAN business. Working alongside management, the Committee performed a far reaching review of the root causes and agreed a detailed improvement plan. As a result, we made a number of recommendations to management to improve the group-wide systems of risk management and internal controls. The internal and external assurance programmes were broadened and developed to be more effective.

There has been a positive management response to the Audit Committee recommendations, with the group making significant progress during 2019 to develop and put in place the targeted improvements. This progress is acknowledged and well received by the Committee, although we also recognise that the improvements need to be embedded into routine everyday processes during 2020 and beyond.

Throughout the year the Committee received regular updates from management on changes to the financial control environment along with assurance from our external professional advisors on improvements that had been put in place. There has also been an increased focus on risk management activity that has resulted in a more integrated and consistent approach to risk identification, assessment and management across the organisation. Good progress has been made with further development planned for 2020.

In May 2019, following a formal, thorough tender process, EY were formally appointed as external auditor, replacing KPMG who had been auditors for a number of years. In completing their audit work leading to their report, EY have brought a fresh perspective to the external audit and a level of management challenge that would be expected from a first year audit.

In summary, this has been a busy year for the Audit Committee given the number of initiatives that have been ongoing in the areas of risk, internal control, financial reporting and external audit. Management has worked hard to drive

improvements in these areas during 2019 and we are confident in the progress that has been made and that the momentum gained will carry this progress forward into 2020.

The Committee remains fully committed to championing good financial and risk reporting and to ensuring we have in place an effective internal control framework. I look forward to meeting shareholders who attend our AGM this year to answer any questions on this report or on the Committee's activities.

Paula Bell
Chairman of the Audit Committee
3 March 2020

 **The Committee remains fully committed to championing good financial and risk reporting and to ensuring we have in place an effective internal control framework**

 **Paula Bell**
Chairman of the Audit Committee

Activities of the Committee

During the year, we continued to review and report to the Board on the group's financial and narrative reporting including the preparation of the viability statement, internal control and risk management processes and the performance, independence and effectiveness of EY. This report describes the Committee's main activities since the last report in 2018.

The points below summarises the key agenda items covered at the Committee's meetings during this period:

- Received regular updates on the group's system of internal control and its effectiveness
- Reviewed progress of the work undertaken to strengthen the financial and business control landscape relating to ASEAN, following the significant control weaknesses identified in 2018
- Reviewed management reports showing the status of remediation actions identified from completed internal audit reviews
- Reviewed the responses and key themes arising from the group's annual internal control questionnaire
- Received an update on the development, implementation and communication of the Project Lifecycle Management (PLM) Standard
- Reviewed the Board delegated authorities
- Reviewed the group's principal risks and defined the group's risk appetite
- Received updates on the risk management framework and approved the Group Enterprise Risk Management Standard
- Reviewed the effectiveness and scope of the internal audit function
- Requested and reviewed a risk assessment of the group's North American business restructuring which took effect on 1 January 2020
- Received regular updates on key findings from the enhanced programme of internal audit reviews of the group's operations and financial controls scheduled for 2019.

The Committee also reviewed the company's processes for the preparation of the Annual Report and Accounts and the outcomes of those processes to ensure that we were able to recommend to the Board that the 2019 Annual Report and Accounts satisfied the requirement of being fair, balanced and understandable. The following processes are in place to provide this assurance:

- Reviewed and approved a programme of internal audit reviews of the group's operations and financial controls for 2020 and 2021, building on the learnings from the 2019 programme and findings.
- Reviewed a report from management on the process for assessing the group's going concern and viability over a three-year period and reported the outcomes of the assessment to the Board.
- Reviewed the basis of provisioning within the group's captive insurance vehicle.
- Reviewed and agreed prior year restatements.
- Reviewed the information presented in the group's preliminary announcement and annual report and recommended to the Board that it is fair, balanced and understandable.
- Reviewed major claims and litigations.
- Reviewed and approved the EY engagement letter, audit fee and their audit plan including detailed scoping.
- Reviewed the EY audit report and the group's draft financial statements and recommended them to the Board for approval.
- Reviewed the scope and results of the external audit, its cost-effectiveness, and the independence and objectivity of EY.
- Reviewed the group's approach to assessing the impact and implementation of new accounting standards in particular IFRS 16 – 'Leases'.
- Reviewed and approved the group's tax strategy statement.
- Received briefings on global tax developments which impact the group.
- Received updates on any matters relating to ethics, fraud and compliance.
- Reviewed and approved the whistleblowing policy.
- Reviewed the Executive Directors' expenses.
- Reviewed the Committee's effectiveness and terms of reference.

- Coordination and review of the Annual Report and Accounts performed alongside the formal audit process undertaken by EY
- Guidance issued to contributors at an operational level
- Internal challenge and verification process dealing with the factual content of the information within the Annual Report and Accounts
- Comprehensive review by senior management and external advisors to ensure consistency and overall balance

Significant issues that we considered included those identified in the independent auditor's report. They related to the financial statements focused on the group's approach to key estimates and judgements in connection with:

Accounting for construction contracts

During the year management issued a Standard setting out the processes for recognising construction contract revenue including the circumstances where it was appropriate to apply either the input or output method. We reviewed the Standard and agree with the processes and methodology that it prescribes for recognising construction contract revenue. Management periodically updated the Committee on which businesses apply which approach as their default method along with any specific contract exceptions. During the year, we have seen that there has been a consistent application of construction contract revenue recognition methodology applied in the businesses and across contract types. The method of construction contract revenue recognition applied is relevant as significant judgement is required when applying the input method where a contract is not complete at the year end. During the year we have monitored revenue recorded on the large long-term public contract in Bencor that was subject to a scope increase at last year end and, where legal advice at that time confirmed that, there was an entitlement to compensation for the work completed. During 2019 client acceptance of the scope change was received and we concur with the recognition of additional revenue on this contract in line with the value agreed by the client.

Carrying value of goodwill

Every year, the group tests whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 2 to the financial statements. The group estimates the recoverable amount based on value-in-use calculations. These calculations require the use of assumptions, the most important being the forecast operating profits, forecast reliability and the discount rate applied. The key assumptions used for the value-in-use calculations are set out in note 14 to the financial statements. The Committee has reviewed and challenged the key assumptions and sensitivities used for all impairment testing of material goodwill balances. After discussion and challenge, the Committee confirmed that it was comfortable with the goodwill impairment charge of £20.2m in respect of the Keller Canada acquisitions and that other goodwill amounts were supportable.

Audit Committee report

continued

Non-underlying items

We also examined the disclosure of items which are described as non-underlying in the consolidated income statement and considered the appropriateness of those items listed as non-underlying items within note 8 to the financial statements.

We discussed these matters and any audit differences in the Committee meetings that reviewed the full-year and interim results. At those meetings, we discussed with EY the reasonableness of the assumptions made by management in arriving at their estimates and judgements underpinning the financial statements. In addition, during these meetings, we met with EY without management being present.

Captive Insurance

We reviewed the accounting for liabilities retained within the group's captive insurance vehicle. Historically, the group did not provide for future claims which are estimated using statistical/actuarial calculations. Having researched accepted practices in the area, management revised their accounting policy as they believe that the liabilities can be reliably estimated and have consequently recognised a provision at the balance sheet date as disclosed in note 33 to the financial statements.

Internal audit

At the end of 2018 we approved an enhanced internal audit programme to be delivered from 2019 onwards, broadening the scope of operational entities that would be subject to internal audit review. The programme introduced a tiered approach to the level of review work performed dependent upon the size of the entity and the perceived risks associated with that operation.

The programme carried out by PwC consisted of 23 operational entity audits in 18 countries, which together represented approximately 30% of the group's revenue for the year. We received and considered reports from PwC which detailed the progress against the agreed work programme and the findings. In the majority of reviews, findings were limited to the need for formalising certain controls to ensure they operate more effectively. Where more significant control issues were identified, we reviewed the findings, discussed the remediation plans with management and received updates on the progress of remediating the control deficiencies. None of the control deficiencies identified are significant in relation to the preparation of the 2019 Annual Report and Accounts.

In addition to the scheduled internal audit programme, we requested PwC to perform the following reviews in 2019:

- Risk assessment of the North American reorganisation prior to project launch to provide an independent view of project governance, management, tools, structure and strategic alignment
- Review of the Project Lifecycle Management (PLM) Standard and control documentation to assess whether the standard is in line with the expectations and requirements of best practice project lifecycle management

During the year, the Committee completed an internal effectiveness assessment of the internal audit function, which measured its performance against the quality assessment criteria provided by the Institute of Internal Auditors. Our conclusion was that we remain satisfied with the work of the internal audit function.

External audit

The Committee places great importance on ensuring there are high standards of quality and effectiveness.

Following a competitive tender process in 2018, EY was appointed by shareholders at the Annual General Meeting held in May 2019. The lead EY partner during the financial year ended 31 December 2019 was Kevin Harkin. This was his first financial year spent auditing the group and he had no previous involvement with the group in any capacity prior to appointment.

At our meeting in February 2020, the Committee considered the effectiveness of EY as external auditor in respect of the year ended December 2019. This review included consideration of comprehensive papers from both management and the external auditor, and meetings with management in the absence of the external auditor. It considered matters including: the competence of the key senior members of the team and their understanding of the business and its environment; the planning process; effectiveness in identifying key risks; technical expertise displayed by the auditor over complex accounting matters; communicating and resolving audit issues; timeliness of the audit process; cost; and communication of issues and risks to management and the Committee.

There are a number of checks and controls in place for safeguarding the objectivity and independence of EY. These include open lines of communication and reporting between EY and the Committee and, when presenting their 'independence letter', EY discuss with the Committee their internal process for ensuring independence.

A detailed assessment of the amounts and relationship of audit and non-audit fees and services is carried out each year and we have developed and implemented a policy regulating the placing of non-audit services to EY. This should prevent any impairment of independence and ensure compliance with the updates to the UK Corporate Governance Code (the 'code') and revised Auditing and Ethical Standards with regards to non-audit fees. Any work awarded to EY, other than audit, with a value in excess of £25,000 requires the specific pre-approval of the Audit Committee Chairman. In 2019, which is the first year that EY performed the external audit, non-audit related fees paid to them were 0.6% of the total audit fee. These relate to the half year report review and are considered to be permitted services.

The external audit contract is put out to tender at least every 10 years. As part of the review of the effectiveness and independence of the external auditor, we recommend the reappointment of EY for the year ending 31 December 2020.

We confirm compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the CMA Audit Order).

We assess the effectiveness of the external audit process on an ongoing basis, paying particular attention to the mindset and culture, skills, character and knowledge, quality control and judgement of the external audit firm in their handling of key judgements, responsiveness to the Committee and in their commentary where appropriate on the systems of internal control.

We hold regular private meetings with the external auditor to assist with their assessment including discussion of:

- How the auditor has identified and addressed potential risks to the audit quality;
- The controls in place within the audit firm to identify risks to audit quality;
- The level of challenge the auditor has discussed with the management team and their confidence on the control landscape;
- Whether the auditor has met the agreed audit plan and how it has responded to any changes that have been required;
- Feedback from key people involved in the audit; and
- The content of the auditor's management letter.

Risk management and internal control

The Audit Committee has a key role, as delegated by the Board, in ensuring appropriate governance and challenge around risk management. We also

set the tone and culture within the organisation regarding risk management and internal control.

Following the request we made of management at the end of 2018, resource has been augmented to enhance the risk identification and management framework, drive compliance with the group's minimum standards and improve the formality of the control environment. A temporary head of Internal Audit and Risk was put in place whilst the search to fulfil this position with a permanent employee continues, to ensure we appoint expertise with deep level of commercial experience to meet the demands of our operational environment.

Additionally, the following initiatives were delivered during the year to enhance the group's risk management framework:

- The Chief Financial Officer and Group Financial Controller conducted a series of workshops with the Executive Committee and divisional management teams to raise awareness and improve understanding on our risk management practices in the business.
- The Committee reviewed and approved a risk management standard to enable the identification and mitigation of risks faced by the business in achieving its objectives.
- We also reviewed and refreshed the Board's approach to risk appetite and further refined the risk appetite statement to better align with the group's strategy.

During 2020, the risk appetite statement will be embedded into the group's risk management processes along with the new Group Enterprise Risk Management Standard, with the support of the group risk manager.

The impact of Brexit on the going concern and viability of the group was considered. Explanation of the potential impact of Brexit is set out in the Chief Financial Officer's Review on page 29.

Further information on the group's risks is detailed on pages 30 to 38.

The system of internal control is designed both to safeguard shareholders' investment and the group's assets, and to facilitate the identification, evaluation and management of the significant risks facing the group. Key elements of the group's system of internal control include:

- An experienced and qualified finance function which regularly assesses the possible financial impact of the risks facing the group.
- Monthly dashboard packs reviewed by the executive directors and the Board.
- Detailed business unit budget reviews with updates provided to the Board.
- Regular reports to the HSEQ Committee on health and safety issues.

- Regular visits to operating businesses by head office and divisional directors, and also by Audit Committee members, and their attendance at operating company, Board and management meetings.
- Annual completion of internal control questionnaires by business unit management.
- Reports to the Audit Committee by PwC on the findings of their internal audit reviews of the controls, processes and procedures in place at each of the group's in scope units.

The group aims to continuously strengthen its processes, with the involvement of the Audit Committee, to ensure these processes are embedded throughout the organisation. In 2019, we worked with management to continue to enhance the system of internal controls, defining the following priorities and receiving updates on their progress:

- Remediation of the known control issues, with particular focus on the control weaknesses identified in ASEAN in 2018.
- Implementation of a monthly sign-off checklist at each business to certify that accounting controls have been performed/complied with for the month.
- Review of Internal control questionnaires, to identify common areas for improvement as well as to address specific risks and direct assurance efforts.
- Formalisation of finance policies and procedures within a structured set of Group Financial Standards as part of the Keller operating system.

Although we review the group's system of internal controls, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

Corporate governance

The Committee's terms of reference, which were reviewed and approved during the year, are available on the group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

The Committee met four times during the year. Attendance at these meetings is shown in the table on page 56.

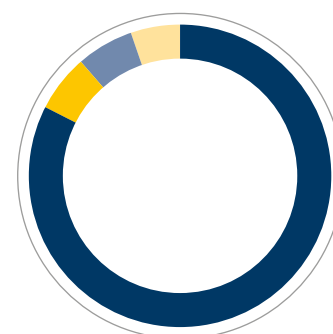
It is intended that the Audit Committee is comprised of at least three members, all of whom are independent Non-executive Directors of the company with the necessary range of financial and commercial expertise to challenge management. The Code requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent financial expertise. Currently, the Chairman fulfils this requirement.

We invite the Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller and the company's external auditor, EY, to all meetings. PwC, in their role as internal auditor, attend at least two meetings each year. On two occasions, the Committee met privately with EY without management being present and I also met with PwC without management present.

The Committee's performance was evaluated by Lintstock, the London-based advisory firm in 2018 and presented to the full Board in 2019. During the year, we progressed a number of key themes, including the allocation of more time to Committee meetings, in order to allow more discussion and debate on key topics. In December 2019 the Board began a number of workshops facilitated by Donata Denny, a highly respected Leadership, Coach and Professional Development Advisor. The workshops are designed to enhance the performance of the Board and each of its members by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020 and the outcomes will be reported in our next annual report and accounts.

Collectively, the Audit Committee has the competence relevant to the sector as required by the provisions of the Code, as well as the contracting and international skills and experience required to fully discharge our duties. The Committee is authorised by the Board to seek any information necessary to fulfil these duties and to obtain any necessary independent legal, accounting or other professional advice, at the company's expense.

2019 Audit Committee meetings – time spent (%)



Financial governance	81
Risk	6
Administrative	6
Procedural	5

Annual statement from the Chairman of the Remuneration Committee



Eva Lindqvist

Chairman of the Remuneration Committee

 For full biographies
See pages 50 and 51

Composition of the Committee

Eva Lindqvist (Chairman from 1 January 2020)
Paul Withers (Chairman until 1 January 2020)
Paula Bell
Baroness Kate Rock
Nancy Tuor Moore
Chris Girling (until 1 January 2019)

Role of the Committee

The role of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the company's Chairman, Executive Directors, their direct reports and such other members of the executive management as it is designated to consider. In addition, we are responsible for determining the total individual remuneration package of the Chairman, Executive Directors, the Company Secretary and other senior executives. We also: determine the measures and targets for Annual Bonus Plan objectives and outcomes for the Executive Directors and senior executives; exercise the powers of the Board in relation to the company's share plans; set and oversee the selection and

appointment process of remuneration advisors to the Committee; monitor developments in corporate governance and, particularly, any impacts on remuneration practices; and report our activities to shareholders on an annual basis.

The Chairman of the Committee reports our activities at the Board meeting immediately following each meeting.

Highlights of the Committee's activities in 2019

- Agreed the departure terms for Alain Michaelis and the remuneration packages for Michael Speakman and Mark Hooper, as Chief Executive Officer and Interim Chief Financial Officer, respectively

- 2019 implementation and outcomes: determined bonus outcomes for 2019; determined the vesting outcome of the 2017-19 Performance Share Plan awards
- 2020 Remuneration: set base salaries and established Executive Director bonus arrangements for 2020; reviewed base salaries and bonus arrangements for the Executive Committee for 2020; approved 2020-22 LTIP awards to Executive Directors and senior executives
- Monitored developments in corporate governance and market trends
- Reviewed the terms of reference of the Remuneration Committee
- Reviewed the effectiveness of the Committee.

Dear shareholder

It is our pleasure to present the Directors' remuneration report for the year ended 31 December 2019, on behalf of the Board.

Chairman of the Committee

In December 2019, we announced Paul Withers' intention to retire from the Board following the Annual General Meeting ('AGM') to be held in May 2020. As part of Paul's planned transition, he stood down as Chairman of the Remuneration Committee, and I was appointed as Chairman with effect from 1 January 2020. I have served on Keller's Remuneration Committee since June 2017. This letter to shareholders as well as the Directors' remuneration report is therefore cosigned.

Business context

We believe that management should be incentivised over the long term and should hold meaningful shareholdings. We recognise that Keller needs to provide competitive remuneration in order to attract and retain the talent required to implement our strategy, further details of which can be found on pages 16 and 17 of the Strategic report.

Shareholder engagement

At the May 2019 AGM, we noted a significant minority vote against the approval of the directors' remuneration report (20.03%). Before the AGM, ISS proxy advisors recommended that shareholders vote against Resolution 2 (To approve the Directors' remuneration report). This was due to the number of shares awarded to Executive Directors in 2019 under the company's Long Term Incentive Plan not being scaled back in recognition of a fall in the company's share price during 2018.

We engaged with a large number of our major shareholders ahead of our AGM. As a result, the Remuneration Committee agreed that, at the time of vesting of the 2019 award, we would make a determination as to whether to use our discretion to reduce vesting levels as appropriate. We also determined that should the share price at the time of the 2020 grant not be materially higher than that on which the 2019 grants were awarded, the 2020 awards would be scaled back from those awarded in 2019.

The majority of our shareholders, including major shareholders, were supportive in their vote and the Board and the Remuneration Committee will continue to engage with shareholders on this subject going forward.

A copy of the Update Statement issued after the AGM was posted on the public register maintained by the Investment Association. We also agreed to update shareholders on this matter in the 2019 Annual Report and Accounts, and this can be found on page 84 of the Directors' remuneration report.

Board changes

Alain Michaelis departed as Chief Executive Officer and as a Director of the Board on 30 September 2019, and as an employee on 31 December 2019. His termination arrangements were published on the Keller website following his departure and are also set out in the Directors' remuneration report.

Michael Speakman was appointed Interim Chief Executive Officer on 1 October 2019 and, following an external search undertaken by the Nomination Committee (page 64), appointed Chief Executive Officer with effect from 12 December 2019. Details of his remuneration arrangements can also be found in the Directors' remuneration report.

Incentive outcomes for 2019

The annual bonus payments reflect the financial performance of the group in 2019. Underlying operating profit increased by 5.4% to £101.8m whilst diluted underlying earnings per share were up 5.6% to 83.5p. Net debt decreased to £213.1m (2018: £286.2m), representing 1.2x underlying EBITDA. This financial performance was reflected in the 2019 annual bonus outcomes. The group profit before tax measure of the financial targets opportunity of the annual bonus did not pay out and, therefore, whilst all of the Executive Directors made progress against their corporate objectives, we exercised downwards discretion under this measure to Michael Speakman, James Hind and Venu Raju for 2019, also reflecting an increase in major safety accidents during 2019, and the continued impact on profit of loss making projects.

The performance conditions under the Performance Share Plan were partially met and awards vested at 26.5% in respect of the performance period ending in 2019.

2020 salary review

James Hind and Venu Raju received increases of a 2% to their base salaries for 2020. General pay increases of 3% were awarded across the group. Michael Speakman did not receive an increase beyond the terms of his appointment as CEO on 12 December 2019.

2020 Annual General Meeting

We very much hope that you will support our 2019 Annual report on remuneration at the AGM in May. We will be available at the AGM to answer any questions you may have about our work.



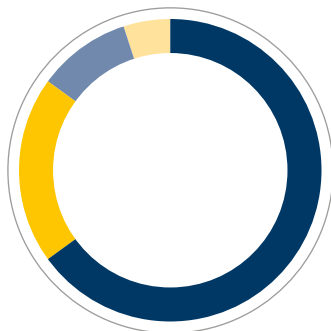
Eva Lindqvist
 Chairman of the Remuneration Committee
 (from 1 January 2020)
 3 March 2020



Paul Withers
 Chairman of the Remuneration Committee
 (until 1 January 2020)
 3 March 2020

2019 Remuneration Committee meetings – time spent (%)

● People	65
● Governance	20
● Procedural	10
● Administrative	5



Remuneration Policy report

The Remuneration policy (the 'policy') was last approved by shareholders at the 2018 AGM. Under the normal three-year renewal cycle, the next Policy vote will occur at the 2021 AGM. For 2019, a summary of the Policy has been included rather than the full Policy report to streamline the section and enhance clarity and transparency. Minor changes have also been made to reflect latest best practice and requirements under the Code.

The policy is summarised in this section. The policy was approved by 99% of shareholders at the AGM held on 23 May 2018. For full details of the policy, please refer to the 2018 Annual Report and Accounts.

The policy aligns with the strategy set out by our previous Chief Executive Officer in 2015, whereby management should be incentivised over the long term, have meaningful shareholding and Keller provide competitive remuneration in order to attract and retain the talent required to implement the strategy.

Summary of our policy and implementation for 2020

Element	Overview of Policy	Implementation in 2020
Base salary	<p>Paid in cash and reviewed annually.</p> <p>Whilst there is no prescribed maximum level of salary, increases are normally not expected to exceed average increases for the wider workforce taking into account relevant geography.</p>	<p>The CEO was permanently appointed on 12 December 2019 and his salary was set in line with the market at £560,000.</p> <p>The Executive Directors' salaries were increased by 2% from 1 January 2020 to:</p> <ul style="list-style-type: none"> • President, North America: \$540,600 (2019: \$530,000) • Engineering and Operations Director: £292,700 (2019: £287,000) <p>The increase for the executive is below the average increase in salary across the wider employee population of around 3%¹.</p>
Benefits	<p>Benefits typically include:</p> <ul style="list-style-type: none"> • a company car or a car allowance; • private health care; and • life assurance; and long-term disability insurance. <p>Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee.</p>	No change.
Pensions	<p>Current Directors can elect to receive either a pension contribution or a cash amount in lieu of pension benefits with the current maximum annual pension contribution/cash supplement being 18% of base salary.</p> <p>Pensions contributions for new executive directors will be in line with the rate provided to the majority of the workforce of 7% of base salary which represents the rate for the majority of the UK workforce.</p>	<p>For 2020, pensions contribution rates for the Executive Directors are as follows:</p> <ul style="list-style-type: none"> • CEO: 7% of salary (effective 12 December 2019 when Michael Speakman was appointed CEO) • President, North America: 18% of salary • Engineering and Operations Director: 18% of salary
Annual bonus	<p>Usually 80% of the annual bonus is based on delivering financial performance. Around 20% of the bonus is usually based on personal strategic performance. The Committee agrees stretching targets annually.</p> <p>25% of any bonus earned is deferred into company shares for two years which are eligible for dividend equivalents to the date of its vesting.</p> <p>Malus and clawback may be applied.</p> <p>The Committee retains full discretion to adjust the performance measures/targets/weightings on an annual basis for future years and also has discretion to adjust the bonus outcomes (cash and deferred bonus).</p> <p>The maximum annual bonus potential is up to 150% of base salary.</p>	<p>No change in maximum opportunity of 150% of salary.</p> <p>For 2020, reward for achievements against profit and cash-based targets which are key financial metrics, and corporate objectives linked to other strategic objectives as follows:</p> <ul style="list-style-type: none"> • 60% profit before tax • 20% cash-based measure • 20% corporate objectives <p>Further details set out on page 83 in the annual report on remuneration.</p>

Element	Overview of Policy	Implementation in 2020
Performance Share Plan ('PSP')	<p>Subject to a performance period of at least three years with a subsequent mandatory two-year holding period making it a five-year plan. Dividends or dividend equivalents may accrue during the five-year period.</p> <p>Vesting of PSP awards is subject to performance against relevant share price and/or financial performance measures as determined by the Committee.</p> <p>Malus and clawback may be applied.</p> <p>The maximum annual award limit in each financial year is 150% of base salary. In exceptional circumstances (for example recruitment or retention) the Committee may make awards of up to 200% of base salary.</p>	<p>Maximum opportunity will be 150% of salary for the CEO, 125% for the President, North America and 100% for the Engineering and Operations Director.</p> <p>For 2020, reward for achievements against EPS, ROCE and relative TSR as follows:</p> <ul style="list-style-type: none"> • 50% EPS • 25% ROCE • 25% relative TSR <p>For threshold performance, 25% of the award will vest. For maximum performance, 100% will vest. Vesting will normally operate on a straight-line basis.</p>
Shareholding guideline	Shareholding guideline: 200% of base salary.	No change.

1 The majority of the workforce in North America receive salary increases effective 1 July. The guidance for 2020 salary increases is 3%.

Malus and clawback

Malus and clawback provisions apply to awards under the annual bonus and PSP. These provisions may be applied where the Committee considers it appropriate to do so following:

- a financial misstatement;
- serious reputational damage;
- performance assessment error;
- corporate failure (from 2020); or
- material misconduct in individual cases.

Committee's discretion

- If an event occurs which causes the Committee to consider that an outstanding PSP award or bonus would not achieve its original purpose without alteration, the Committee has discretion to amend the targets, provided the new conditions are not materially less challenging than the original conditions.
- Such discretion could be used to adjust appropriately for the impact of material acquisitions or disposals, or for exceptional and unforeseen events outside the control of the management team. The application of any such discretion would have regard to the Committee's practice of ensuring the stability of measures and targets throughout the business cycle.
- Awards may also be adjusted in the event of any variation of the company's share capital or any demerger, capital distribution or other event that may materially impact the company's share price.

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Executive Director service contracts

Executive Directors' contracts are for an indefinite term with one year's notice. Service contracts between the company (or other companies in the group) and current Executive Directors are summarised below. Executive Directors' service contracts are available to view at the company's registered office.

Director	Date of service contract	Notice period	Termination payment
Alain Michaelis	14 May 2015 ¹		
James Hind	20 August 2018		
Venu Raju	1 June 2011 (modified by letter of variation dated 16 December 2016)	12 months' notice by either the company or the Director.	Maximum of basic annual salary plus pension and benefits for the unexpired portion of the notice period, subject to mitigation.
Michael Speakman	6 August 2018 ²		

1 Alain Michaelis stepped down as CEO and as a director effective 30 September 2019 and left the company on 31 December 2019.

2 Michael Speakman was appointed interim CEO effective 1 October 2019. He was made permanent CEO effective 12 December 2019.

Directors' remuneration report continued

Remuneration Policy report

continued

Considerations of conditions elsewhere in the group

When reviewing and setting executive remuneration, the Remuneration Committee takes into account the relevant pay and employment conditions elsewhere in the group. Specifically, the level of salary increases across the group are reviewed annually.

The Remuneration Committee oversees pay structure for senior managers who are eligible for bonus and PSP. The Committee also receives information on broader employee pay and incentives across the group and is mindful of internal consistency when determining the approach to executive remuneration.

All senior managers are set annual objectives at the beginning of each year which support the execution of our strategic levers through delivering specific objectives relevant to their business unit. Annual bonuses payable to senior managers across the group depend on the satisfactory completion of these objectives as well as performance against local business unit financial targets.

It should be noted that the workforce employed across the group's geographically diverse businesses is not a homogeneous group and pay and conditions are designed to be competitive in, and appropriate to, the local employment market. The Committee does not currently seek the views of employees on its remuneration policy.

Non-executive Director remuneration

The remuneration of the Non-executive Directors is determined by the Board annually within the limits set out in the Articles of Association. When setting the fee levels consideration is given to market practice for companies of similar size and complexity. The Chairman receives an all-inclusive fee. Non-executive Directors receive a basic fee and additional fees may be payable for Chairing a Committee, additional travel and performing the role of Senior Independent Director. The Non-executive Directors' fees are non pensionable and Non-executive Directors are not eligible to participate in any incentive plans.

The Chairman and Non-executive Directors will be reimbursed by the company for all reasonable expenses incurred in performing their duties. This may include costs associated with travel where required and any tax liabilities payable.

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. All appointments are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice.

There are no provisions for compensation payable in the event of early termination.

Fees for a new Non-executive Director will be set according to the principles set out above. Details of the policy on fees paid to Non-executive Directors are set out in the table below:

Non-executive Director	Appointment date, renewal date, renewal due	2019 fees
Peter Hill	24 May 2016 (and 26 July 2016 as Chairman) (renewed on 24 May 2019) Renewal due: 24 May 2022	£180,000 pa
Paul Withers	17 December 2012 (renewed on 17 December 2015, 17 December 2018 and 17 December 2019) Paul will retire at the conclusion of the company's AGM to be held in May 2020	£49,000 pa Plus £8,000 pa (Senior Independent Director) Plus £8,000 pa (Chairman of the Remuneration Committee)
Nancy Tuor Moore	26 June 2014 (renewed on 26 June 2017) Renewal due: 26 June 2020	£49,000 pa Plus £8,000 pa (Chairman of HSEQ Committee) Plus £10,000 pa (additional travel)
Eva Lindqvist	1 June 2017 Renewal due: 1 June 2020	£49,000 pa
Paula Bell	1 September 2018 Renewal due: 1 September 2021	£49,000 pa Plus £8,000 pa (Chairman of Audit Committee)
Baroness Kate Rock	1 September 2018 Renewal due: 1 September 2021	£49,000 pa Plus £8,000 pa (Chairman of Workforce Engagement Committee)

Summary of decision-making process

In considering executive remuneration arrangements, the Committee took account of general feedback from Keller's shareholders as recommended in the revised 2018 UK Corporate Governance Code (the 'Code').

Clarity – The policy is designed to allow our remuneration arrangements to be structured such that they clearly support, in a sustainable way, the financial objectives and the strategic priorities of the company. The Remuneration Committee remains committed to reporting on its remuneration practices in a transparent, balanced and understandable way.

Simplicity – The policy consists of three main elements: fixed pay (salary, benefits and pension), an annual bonus award and a long-term incentive award. The annual bonus is currently based on two key financial measures and individual strategic objectives tied to our key corporate objectives. The LTIP is currently based on three measures: relative TSR, EPS and ROCE which provide a clear link to the shareholder experience. The Committee may change measures for future years to ensure measures continue to be aligned with strategy.

Risk – Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the shareholder experience. 25% of bonus awards are deferred into shares for two years, and vested shares under the PSP must be retained for a further two years further ensuring that Executive Directors are motivated to deliver sustainable performance.

Predictability – The Committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts in our full policy in the 2018 Annual Report and Accounts.

Proportionality – A substantial portion of the package comprises performance-based reward, linked to the delivery of solid company performance and the achievement of key strategic objectives. The Committee uses discretion where required to ensure that performance outcomes are appropriate.

Alignment to culture – In determining executive remuneration policies and practices, the Remuneration Committee considers a number of wider workforce themes as part of its review, including workforce demographics, engagement levels and diversity to ensure executive remuneration is appropriate from a cultural perspective.

Directors' remuneration report continued

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2019.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the financial years ended 31 December 2018 and 2019:

	Alain Michaelis ¹		Michael Speakman ²		James Hind ³		Venu Raju ⁴	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Salary	396	528	402	150	400	365	287	288
Taxable benefits ⁵	13	16	14	5	160	134	33	103
Pension benefits ⁶	71	95	72	27	72	66	52	52
Annual bonus ⁷	150	0	153	37	149	0	109	0
PSP ⁸	91	0	–	–	72	0	43	0
Total	721	639	641	219	853	565	524	443

- Alain Michaelis stepped down as CEO and as an Executive Director of Keller effective 30 September 2019. All amounts reflect his service as an Executive Director. Payments in respect of Alain's loss of office are detailed separately.
- Michael Speakman assumed the post of interim CEO effective 1 October 2019. He was appointed as permanent CEO effective 12 December 2019. Prior to being appointed as interim CEO, Michael Speakman served as CFO from 6 August 2018. His amounts in 2018 reflect his service as CFO from 6 August 2018 to 31 December 2018. His amounts in 2019 reflect his service as CFO from 1 January 2019 to 30 September 2019, his service as interim CEO from 1 October 2019 to 11 December 2019, and his service as permanent CEO from 12 December 2019 to 31 December 2019. Michael Speakman's salary was £365,000 as CFO in 2018 and 2019, £500,000 as interim CEO, and £560,000 as permanent CEO.
- James Hind is based in the US. His remuneration details are all calculated in sterling using a conversion rate of 1.35. His taxable benefits paid in 2019 include relocation costs including housing, shipping and storage as well as life assurance. Payroll in North America is on a weekly basis. Due to payroll harmonisation across the Division, James' last weekly pay in 2019 was brought forward by 2 days therefore falling into the 2019 calendar year. This is reflected in his salary, however his bonus has been calculated on his actual annual salary for 2019 of \$530,000.
- Venu Raju's salary remained constant from 2018 to 2019. The difference is as a result of average exchange rate fluctuations.
- Taxable benefits consist primarily of a car allowance of £15,000 for Alain Michaelis (pro-rated), and £12,000 for Michael Speakman, James Hind and Venu Raju.
- Pension benefits represent cash in lieu of pension for Alain Michaelis (pro-rated), Michael Speakman, James Hind and Venu Raju.
- The annual bonus represents the value of the bonus receivable in respect of the group's annual bonus plan for the relevant financial year. 25% of the bonus shown above will be deferred into Keller shares for a period of two years.
- For the PSP, the value shown for 2019 reflects the final vesting outcome of the 2017 PSP award with performance measured over the three-year performance period 1 January 2017 to 31 December 2019. The final vesting outcome of the 2017 PSP award was 26.5% of maximum. The value of the award was calculated using a three-month average closing share price to 31 December 2019 of 602p. See page 79 for further details. The 2017 award will vest on 3 March 2020. Using the average closing share price to 31 December 2019, the price did not appreciate from the date of the award.

Total pension entitlements (audited)

Alain Michaelis, Michael Speakman (during his time as CFO and interim CEO), James Hind and Venu Raju received a cash supplement of 18% of salary, which has been included in the single figure table.

Upon appointment as permanent CEO effective 12 December 2019, Michael Speakman's pension rate has been set at 7% of base salary in line with the contribution rate provided to the majority of the UK workforce. The Committee will keep the pension entitlement of Michael Speakman under review in the context of any changes in pension provision across the group.

In line with Investment Association guidance on Executive Director pension provision, the pension contribution rate for existing Executive Directors is currently under review with a view to bringing it in line with the wider workforce.

2019 annual bonus

Measures	2019 measurement ranges and outcome				Bonus as % of salary							
	Threshold 0%	Target 50%	Maximum 100%	Performance outcome ¹	Alain Michaelis ³		Michael Speakman ⁴		James Hind ²		Venu Raju	
					Max	Outcome	Max	Outcome	Max	Outcome	Max	Outcome
Group PBT, £m	86.5	96	105.5	76.3¹	100%	0%	100%	0%	100%	0%	100%	0%
Group operating cash flow £m	100.0	110.0	120.0	119.0	20%	19%	20%	19%	20%	19%	20%	19%
Total group measures					120%	19%	120%	19%	120%	19%	120%	19%
Corporate objectives assessment					30%	22%	30%	22%	30%	22%	30%	22%
Remuneration Committee discretion ⁵						(3%)		(3%)		(3%)		(3%)
Corporate objectives outcome					30%	19%	30%	19%	30%	19%	30%	19%
Total bonus					150%	38%	150%	38%	150%	38%	150%	38%
Base salary						£528,000		£560,000		£400,146		£287,000
Bonus based on performance outcomes					38%	£150,480	38%	£152,753	38%	£149,185	38%	£109,060

1 At 2019 budget exchange rates before non-underlying items.

2 James Hind's remuneration details are shown in sterling using an exchange rate of 1.35.

3 Alain Michaelis' bonus outcome has been pro-rated for his time in service as CEO.

4 Michael Speakman's bonus outcome reflects the portion of the year he worked as CFO, the portion of the year he worked as interim CEO, and the remainder of the year as permanent CEO. The salary used to calculate his bonus has been pro-rated accordingly. The salary shown above is Michael's salary as permanent CEO.

5 The Remuneration Committee exercised negative discretion in relation to the corporate objectives element and applied a 3% reduction, as described below.

Corporate objectives

Corporate objectives are measurable deliverables that are jointly shared by the Executive Directors and the Executive Committee and are focused on supporting the delivery of Keller's key strategic activities. The Remuneration Committee determined that this was an appropriate basis to incentivise management to increase collaboration on strategic activities. Each category of the corporate objectives has a maximum of 6% of base salary that can be attained with an overall maximum of 30% of base salary available (20% weighting of total annual bonus plan for Executive Directors). The Remuneration Committee retains the right to apply discretion to the overall evaluation of the attainment of corporate objectives.

2019 annual bonus outcomes

The profitability target for Keller was not achieved in 2019 primarily due to the additional restructuring activity in Asia-Pacific during the first half of 2019 and margin erosion in our foundation businesses in North America. Despite this, a strong cash performance was achieved due to improved capex and working capital controls.

The objective scoring by the Remuneration Committee for performance in 2019 against corporate objectives resulted in a outcome of 22% of salary. Having considered the appropriateness of the overall attainment, the committee chose to exercise their discretion and reduce the final outcome to 19% of base salary in total for the Executive Directors. This reflected the missed profitability targets, the increase in major safety accidents during 2019, and the continued impact on profit of loss making contracts.

Directors' remuneration report continued

Annual remuneration report

continued

Corporate objective	Opportunity (maximum)	Actual performance	Outcome (maximum 30%)
Safety Lead a further 10% reduction in Accident Frequency Rate ('AFR') with no fatalities during the year	6% of base salary	AFR reduced from 0.19 in 2018 to 0.15 in 2018. A reduction of 21%. There were no fatalities in 2019 (3 in 2018). <i>The Committee took into account an increase in major safety accidents in 2019.</i>	Above target (6% achieved)
Debt reduction Achieve a net debt/EBITDA ratio of less than 1.5x at year end	6% of base salary	The net debt/EBITDA ratio achieved was 1.2x.	Above target (5% achieved)
Loss making projects Reduce to less than 1% of revenue (from 1.9% in 2018)	6% of base salary	Loss making projects were 1.6% of revenue in 2019. This is the joint best performance over the previous four years. <i>Whilst progress has been made by management, the Committee believe that further progress is required in this area.</i>	Below target (2% achieved)
Accelerated actions Launch a new Project Lifecycle Management (PLM) Standard, upgrade Keller's control and risk regime, ensure that the £5m overhead and £5m cash stretch targets are delivered, and intensify working capital focus	6% of base salary	The PLM Standard was launched in October 2019. Keller significantly updated its suite of global finance standards and redefined its approach to risk during 2019. Keller's overhead and capital expenditure during 2019 was £9m and £15m lower than budget respectively. Average working capital as a percentage of revenue was 47.6% in 2019 versus 46.9% in 2018.	Partially above target (4% achieved)
Portfolio Improve the performance of the portfolio and implement actions as agreed with the Board	6% of base salary	The restructuring of the ASEAN and Waterway business units was achieved ahead of plan. The reorganisation of the North American Division was achieved to target. The withdrawal from South America is on target with offers received for Keller's Brazilian business. The strategic review of Franki Africa was announced.	Above target (5% achieved)
Attainment as assessed by the Remuneration Committee			22% achieved
Discretion applied			3% reduction
Final outcome			19% achieved

2017-19 Performance Share Plan ('PSP') outcomes (audited)

Based on EPS and TSR performance over the three years ended 31 December 2019, the PSP Awards made in 2017 will vest as follows:

Measures	Vesting schedule and outcome ³				
	% of award that will vest			Outcome	Vesting %
50% weight	0%	25%	100%		
Cumulative Earnings Per Share ('EPS') over three years ¹	Below 250p	250p	290p	264.9p	26.5%
50% weight					
Keller's TSR outperformance vs FTSE 250 ² Index over three years	Below 0%	0%	10%	TSR outperformance pa was below 0%	0%
Total vesting	Was below 0%	0%			26.5%

1 EPS is before non-underlying items.

2 Excluding investment trusts and financial services.

3 The group adopted IFRS 16 on 1 January 2019, as disclosed in note 2 to the consolidated financial statements and comparative financial measures have not been restated. The 2019 results have been prepared on the basis of IAS 17, the previous leasing standard.

When considering the level of annual bonus payout and long-term incentive vesting, the Committee also considered the underlying performance of the group over the performance period, taking into account performance against key financial and non-financial indicators as well as the share price performance and the experience of shareholders and other stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded the proposed payout outcomes detailed above to be appropriate. Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2019.

Scheme interests awarded in 2019 (audited)**2019-21 PSP**

The three-year performance period over which performance will be measured began on 1 January 2019 and will end on 31 December 2021. Awards will vest in March 2022, subject to meeting performance conditions. Awards were made as follows:

Executive Director	Date of grant	Shares over which awards granted	Market price at award (£)	Face value of the award at grant	Face value at threshold (£)	Face value at maximum (£)	Performance period
Alain Michaelis ²	8 Mar 19	123,621	6.4067 ¹	150% of salary	198,001	792,003	1 Jan 19-31 Dec 21
Michael Speakman ³	8 Mar 19	71,215	6.4067 ¹	125% of salary	114,063	456,253	1 Jan 19-31 Dec 21
James Hind	8 Mar 19	76,599	6.4067 ¹	125% of salary	122,687	490,747	1 Jan 19-31 Dec 21
Venu Raju	8 Mar 19	44,797	6.4067 ¹	100% of salary	71,750	287,001	1 Jan 19-31 Dec 21

1 The average of the daily closing price on the three business days following the AGM.

2 Alain Michaelis stepped down as CEO on 30 September 2019. He was made a PSP grant on 8 March 2019. This 2019-21 award will be pro-rated for his time in service and will vest at the normal time. Further details on Alain's leaving arrangement can be found on page 81.

3 Michael Speakman's 2019 LTIP award was granted when he was in the role of CFO. As CEO, his maximum PSP award will be 150% of salary effective for the 2020 PSP award. Further details on the 2020-22 award are set out on page 84.

The Remuneration Committee decided to make an additional PSP award of 6.25% to Michael Speakman to reflect his service as CEO from 1 September to 31 December 2019. This award will carry the same 2019 measures as the 2019-2021 PSP award and will vest in 3 years from date of grant. The award will be made at the same time as the 2020 PSP awards in March 2020, albeit the Committee considers it to be remuneration awarded in respect of 2019 and supplements his 2019 PSP award.

Directors' remuneration report continued

Annual remuneration report

continued

Vesting of the 2019-21 Performance Share Awards is subject to achieving the following performance conditions:

Measures	Vesting schedule		
	% of award that will vest		
	0%	25%	100%
50% weight			
Cumulative EPS over three years ¹	Below 300p	300p	345p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
Return on Capital Employed ('ROCE')	Below 14%	14%	20%

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSP awards, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

- 1 EPS is before non-underlying items.
2 Excluding investment trusts and Financial Services.

Directors' interests (audited information)

A table setting out the beneficial interests of the Directors and their families in the share capital of the company as at 31 December 2019 is set out below.

None of the Directors has a beneficial interest in the shares of any other group company. Since 31 December 2019, there have been no changes in the Directors' interests in shares.

Director	Ordinary shares at 31 December 2019	Ordinary shares at 31 December 2018
Alain Michaelis ¹	43,837	43,837
James Hind	171,754	171,754
Venu Raju	129,690	59,690
Michael Speakman	40,000	20,000
Peter Hill	43,000	25,000
Paul Withers	45,000	45,000
Nancy Tuor Moore	3,000	3,000
Eva Lindqvist	–	–
Kate Rock	2,500	2,500
Paula Bell	–	–

- 1 Alain Michaelis stepped down as CEO and as a Director effective 30 September 2019 and his holding is at that date. He continued to be employed until 31 December 2019.

Executive Directors' shareholding guideline (audited information)

The table below shows the shareholding of each Executive Director against their respective shareholding guideline as at 31 December 2019.

	Shares held		Shareholding guideline % salary/fee	Current shareholding % ¹ salary/fee
	Owning outright or vested	Invested and subject to performance conditions		
Michael Speakman	40,000	125,060	200%	75%
James Hind	171,754	159,362	200%	322%
Venu Raju	129,690	89,250	200%	339%

- 1 Reflects closing price on 31 December 2019 of 750p.

Supplementary information on Directors' remuneration

Outstanding Performance Share options/awards

Details of current awards outstanding to the Executive Directors are detailed in the table below:

	At 1 January 2019 ^{1 2 3}	Granted during the year	Vested in year	Lapsed during the year	At 31 December 2019	Date from which exercisable/ vesting date	Expiry date
Alain Michaelis⁵							
4 March 2016	63,190	–	–	63,190	–	04/03/19	03/09/19
3 March 2017	58,590	–	–	8,202	50,388	03/03/20	02/09/20
30 May 2018	75,621	–	–	31,509	44,112	02/03/21	n/a
8 March 2019	–	123,621	–	92,717	30,904	08/03/22	n/a
Michael Speakman							
20 August 2018	52,409	–	–	–	52,409	20/08/21	n/a
8 March 2019	–	71,215	–	–	71,215	08/03/22	n/a
8 March 2019 (deferred award)	–	1,436	–	–	1,436	08/03/21	n/a
James Hind							
4 March 2016	43,006	–	–	43,006	–	04/03/19	03/09/19
3 March 2017	39,880	–	–	–	39,880	03/03/20	02/09/20
30 May 2018	42,883	–	–	–	42,883	02/03/21	n/a
8 March 2019	–	76,599	–	–	76,599	08/03/22	n/a
Venu Raju							
4 March 2016 ⁴	12,323	–	–	12,323	–	04/03/19	03/09/19
3 March 2017	23,900	–	–	–	23,900	03/03/20	02/09/20
30 May 2018	20,553	–	–	–	20,553	02/03/21	n/a
8 March 2019	–	44,797	–	–	44,797	08/03/22	n/a

1 For awards under the 2016 plan, performance conditions are measured 50% on TSR outperformance of the FTSE 250 excluding investment trusts and Financial Services and 50% on EPS CAGR over three years of the performance period. Each performance period ends on 31 December of the third year.

2 For awards under the 2017 plan, performance conditions are measured 50% on TSR outperformance of the FTSE 250 excluding investment trusts and Financial Services and 50% on cumulative EPS over three years of the performance period, which ends on 31 December 2019.

3 For awards under the 2018 and 2019 plans, performance conditions are measured 25% on TSR outperformance of the FTSE 250 excluding investment trusts and Financial Services and 50% on EPS over three years of the performance period and 25% on ROCE. Each performance period ends on 31 December of the third year.

4 Prior to his appointment to the Board, Venu Raju was granted conditional awards under the PSP, which had the same performance conditions as the awards to Executive Directors.

5 Alain Michaelis stepped down as CEO effective 30 September 2019.

Changes to executive directors

Alain Michaelis stepped down as CEO and as a director effective 30 September and ceased to be employed by the company with effect from 31 December 2019. Michael Speakman was appointed interim CEO effective 1 October 2019 and permanent CEO effective 12 December 2019.

Exit payments made in the year

Alain Michaelis will be paid £160,078 in respect of salary and normal contractual benefits excluding bonus accrued up to 31 December 2019 and will receive a payment of £396,000 as payment in lieu of his base salary for the remaining nine months of his 12-month contractual notice period. This payment will be made in nine equal monthly instalments. Benefits in kind comprising life assurance cover, private medical insurance and critical illness cover continue to be paid for the remaining nine months of his 12-month contractual notice period. These payments are subject to mitigation.

Mr Michaelis remained eligible to participate in the 2019 annual bonus scheme on a pro-rated basis. His bonus was pro-rated to 30 September 2019 and will be paid at the normal time. Malus and clawback provisions apply.

The Remuneration Committee has determined that Mr Michaelis will be treated as a 'good leaver' under the 2014 PSP and the 2018 Keller Long Term Incentive Plan (together, the 'Plans'). In accordance with the Plans, his 2017, 2018 and 2019 performance share awards under the Plans will vest in line with their original vesting dates. The performance share awards will be subject to performance conditions and will be pro-rated to reflect the period served during the performance period of the relevant award. The 2018 and 2019 awards will be subject to a two-year holding period following the end of their three-year performance periods. All performance share awards will continue to be subject to malus and clawback provisions.

Mr Michaelis will not receive an annual bonus for 2020 and no performance share award will be made for 2020 or any subsequent year.

Mr Michaelis also received from the company a contribution of £10,000 plus VAT towards legal fees incurred in connection with his departure. No further payments will be made to Mr Michaelis in connection with his loss of office.

Directors' remuneration report continued

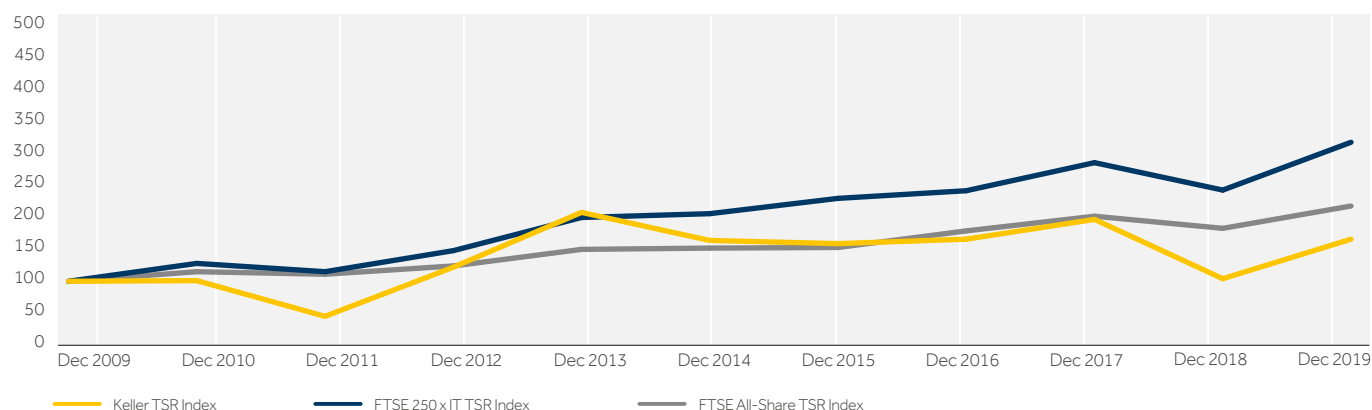
Annual remuneration report

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CEO pay for performance comparison

The graph below shows the company's performance, measured by TSR, compared with the performance of the FTSE 250 Index (excluding investment trusts and Financial Services) and the FTSE All-Share Index. These indices have been selected for consistency with the comparator groups used to measure TSR performance for PSP awards.

This graph shows the growth in value of a hypothetical £100 holding in Keller Group plc ordinary shares over 10 years, relative to a hypothetical £100 holding in the FTSE 250 and FTSE All-Share Indices.



The table below details the CEO single figure of remuneration over the same period.

	2010	2011	2012	2013	2014	2015 ¹	2016	2017	2018 ²	2019 ³
CEO single figure of remuneration (£000)	550	562	951	1,870	1,630	1,420	715	1,427	639	921
Annual bonus as a % of maximum opportunity	0%	0%	57%	84%	22%	85%	12%	59%	0%	38%
PSP vesting as a % of maximum opportunity	0%	0%	0%	100%	100%	67.3%	0%	33.9%	0%	26.5%

- The CEO single figure of remuneration has been calculated using Justin Atkinson's emoluments for the period from 1 January 2015 to 14 May 2015 and Alain Michaelis' emoluments for the period 14 May 2015 to 31 December 2015.
- The Committee exercised its discretion and applied 0% bonus in 2018.
- The CEO single figure of remuneration has been calculated using Alain Michaelis' emoluments for the period from 1 January 2019 to 30 September 2019 and Michael Speakman's emoluments for the period 1 October 2019 to 31 December 2019.

Percentage change in CEO remuneration

Comparing 2019 to 2018	Salary	Benefits	Bonus
% change in CEO remuneration ¹	(0.5%)	0.5%	100%
% change in comparator group remuneration ²	4.7%	46.5%	8%

- The CEO for 2018 was Alain Michaelis. For 2019, Alain Michaelis served as CEO from 1 January 2019 to 30 September 2019. Michael Speakman was appointed interim CEO on 1 October 2019 and permanent CEO effective 12 December 2019. The figures above have been pro-rated for their respective service during 2019.
- The comparator group comprises population of Keller UK employees being professional/managerial employees based in the UK and employed on more readily comparable terms.

CEO pay ratio

The table below shows the comparison of the CEO's single total figure remuneration to the 25th, median and 75th percentile STFR of full-time equivalent UK employees on a group wide basis consistent with The Companies (Miscellaneous Reporting) Regulations 2018.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	27:1	19:1	15:1

The employees used for the purposes of the table above were identified as based in the UK and on a full-time equivalent basis as at 31 December 2019. Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees required by The Companies (Miscellaneous Reporting) Regulations 2018.

The CEO pay ratio has been calculated to show the remuneration of the CEO, accounting for the departure of Alain Michaelis on 30 September 2019, the appointment of Michael Speakman on an interim basis from 1 October 2019 and on a permanent basis from 12 December 2019.

Due to the timing of bonus pay outs for the 2019 performance year we have used the bonus payout for 2020 for the CEO and the bonus payouts for the comparison population that was paid in 2019, in respect of the 2018 performance year. We will update these figures with the actual amounts paid in 2020, in respect of the 2019 performance year, in next year's Annual report on remuneration.

The following table provides salary and total remuneration information in respect of the employees at each quartile.

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2019	Salary	£31,037	£40,000	£40,750
	Total remuneration	£33,701	£48,753	£61,182

The Board has confirmed that the ratio is consistent with the company's wider policies on employee pay, reward and progression.

Relative importance of spend on pay

The table below shows shareholder distributions (ie dividends) and total employee pay expenditure for the financial years ended 31 December 2018 and 31 December 2019, along with the percentage changes.

	2019 £m	2018 £m	% change
Distribution to shareholders ¹	26.3	26.3	0%
Remuneration paid to all employees ²	598.2	570.8	4.8%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 27.4p per ordinary share.

2 Total remuneration reflects overall employee costs. See note 7 to the consolidated financial statements for further information.

Summary of implementation of the Remuneration Policy for 2020

2020 base salary and benefits

The Committee noted that salary increases for UK-based employees across the group were generally around 3%, effective 1 January 2020. The Executive Directors received salary increases below this amount for 2020.

Michael Speakman was appointed as permanent CEO on 12 December 2019 and his salary was set at £560,000 from this date. James Hind, President North America, received a salary increase of 2% from \$530,000 to \$540,600. Venu Raju, Engineering and Operations Director, also received a salary increase of 2% from £287,000 to £292,700.

Benefits for 2020 will remain broadly unchanged from prior years.

2020 Pensions

Pension contributions for Michael Speakman upon his permanent appointment as CEO have been set at 7% of base salary in line with the rate provided to the majority of the workforce in the UK and on a weighted average basis around Keller's most populous locations.

Pension contributions for current Executive Directors James Hind and Venu Raju will remain unchanged at 18% of base salary.

For new Executive Directors, the Board will determine pension arrangements on appointment to the Board taking into account best practice, the rate available to the majority of the workforce and market practice at similar sized companies at the time of appointment. For existing Executive Directors, the Board will review our approach with a view to bringing Executive Director pensions in line with the wider workforce.

2020 annual bonus

For 2020, 80% of Executive Directors' bonus will be based on group financial results and 20% will be based on shared corporate objectives. The performance measures will be profit before tax ('PBT'), an important indicator of the company's financial and operating performance, and a cash-based target, a more operational measure. Targets for each measure are challenging but realistic and have been set in the context of the business plan and current environment. Targets will be disclosed retrospectively in the 2020 Annual remuneration report to the extent that they are no longer considered commercially sensitive.

25% of any bonus earned will be deferred into company shares for two years.

Directors' remuneration report continued

Annual remuneration report

continued

2020-2022 Performance Share Plan Award ('PSP')

The Committee reflected on the appropriateness of making a full 2020 PSP award, given the fall in share price in 2018 and in the context of the public statement made by the Committee on 21 October 2019 and investor guidance. At the time the Committee made decisions on the level of 2020 awards (25 February 2020), the share price had increased materially (by c. 24%) since the 2019 PSP award. The Committee therefore determined it was appropriate to maintain the 2019 award levels for 2020 awards, in order to continue to motivate, retain and appropriately incentivise the Executive Directors.

It is therefore the intention that 2020 PSP awards will be made in March 2020 at the following levels: 150% of salary for Michael Speakman, 125% of salary for James Hind and 100% of salary for Venu Raju. Notwithstanding the above, the Committee is mindful of the time-period between its decision and the actual grant of awards. Therefore, if the average share price for the three-day period prior to the date of grant is lower than the average share price for the three-day period up to and including 25 February 2020, then the Committee will use the higher of the two to determine the number of shares under award. This safeguard ensures that awards are in effect scaled back for any fall in share price between the Committee's decision and the actual grant date.

The 2020-22 PSP performance conditions will be assessed over three years based on the following measures: Total Shareholder Return ('TSR') (25% weight), cumulative Earnings per Share ('EPS') (50% weight), and Return on Capital Employed ('ROCE') (25% weight). These measures strongly align potential payout under the PSP with Keller's strategic priorities.

Relative TSR performance will be measured by ranking against FTSE 250 companies (excluding investment trusts and Financial Services). Under a ranked approach, a threshold vesting (resulting in 25% of that portion of the award vesting) will be for median performance against the comparator group; maximum vesting for upper quartile performance (or above) against the comparator group. Straight-line vesting between these points.

EPS will be measured on a cumulative basis enabling target setting to reflect business plans, market consensus and the position in the construction cycle.

Cumulative EPS of 310p over the three-year period will enable full vesting of this performance conditions, with a threshold vesting of 25% if 270p is achieved, calculated off the 2019 underlying EPS (at IFRS 16 basis) of 81.3p.

ROCE will be measured on an average basis over the three-year performance period, with a threshold level of performance of 14% (leading to 25% of that portion of the award vesting) and a maximum of 20%. Straight-line vesting between these points.

These targets have been carefully assessed and the Committee considers them to be appropriately stretching, given the company's business plans, opportunity set and investor expectations.

2020-22 Performance Share Award

Measures	Vesting schedule		
	% of award that will vest		
50% weight	0%	25%	100%
Cumulative EPS over three years ¹	Below 270p	270p	310p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
ROCE	Below 14%	14%	20%

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSAs, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

¹ EPS is before non-underlying items on a IFRS 16 basis.

² Excluding investment trusts and Financial Services.

Chairman and Non-executive Director fees

Fees for the Non-executive Directors were reviewed with effect from 1 January 2020. Management proposed, and the Board considered and agreed, that the basic annual fee for Non-executive Directors should be increased from £49,000 to £52,000 with effect from 1 January 2020. It was decided that the additional fees payable to the Chairmen of the Board Committees and the Senior Independent Director would increase to £10,000 from £8,000 whilst the additional fee to Non-executive Directors travelling from North America or Asia-Pacific would remain at £10,000.

Similarly, under the terms of reference of the Committee, it considered and agreed that the annual fee for the Chairman, having been frozen since his appointment in May 2016, should be increased from £180,000 to £195,000 with effect from 1 January 2020.

In making their proposal on the increase to the Non-executive Directors fees, management considered the freeze on increases to the Non-executive Directors' fees in 2019, and took account of the increasing amount of time spent by the Chairman and Non-executive Directors in fulfilling their duties. Management also recognised the high calibre of the current Chairman and Non-executive Directors and the strong desire by management to retain them.

Single total figure of remuneration for Non-executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2019 and the prior year:

Non-executive Director	2019 £	2018 £
Peter Hill	180,000	180,000
Eva Lindqvist	49,000	49,000
Nancy Tuor Moore	67,000	57,000
Paul Withers ¹	65,000	65,000
Paula Bell ²	57,000	16,333
Kate Rock ³	57,000	16,333
Total fees	475,000	383,666

1 Paul Withers received additional fees of £16,000 per annum as Senior Independent Director and Chairman of the Remuneration Committee. He is due to retire after the AGM in May 2020.

2 Paula Bell was appointed as a Non-executive Director effective 1 September 2018. Paula receives additional fees of £8,000 as Chairman of the Audit Committee.

3 Kate Rock was appointed as a Non-executive Director effective 1 September 2018. Katie receives additional fees of £8,000 as Chairman of the Workforce Engagement Committee.

Statement of shareholder voting

The following table sets out the results of the vote on the Remuneration report at the 2019 AGM and the Remuneration Policy at the 2018 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
Remuneration report	45,776,928	79.97	11,466,440	20.03	57,243,368	257,365
Remuneration Policy	55,910,955	98.71	732,307	1.29	56,643,262	4,967

Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for 2019 were being considered:

- Paul Withers
- Eva Lindqvist
- Nancy Tuor Moore
- Paula Bell
- Baroness Kate Rock

During the year, the Committee received assistance from Kerry Porritt (Group Company Secretary and Legal Advisor), Graeme Cook (Group HR Director) and Bansi Shah (Head of Reward and Performance) on salary increases, bonus awards, share plan awards and vesting, and policy and governance matters. In determining the Executive Directors' remuneration for 2019 and 2020, the Committee has consulted the Chairman and the CEO about its proposals, except (in the case of each) in relation to their own remuneration. No Director is involved in determining their own remuneration.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

Corporate governance

The Committee's terms of reference, which were reviewed during the year, are available on the group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

The Committee's performance was evaluated by Lintstock, the London-based advisory firm in 2018 and presented to the full Board in 2019. During the year, we progressed a number of key themes, including reviewing the process by which targets are set and ensuring alignment with the strategy and tracking the development of governance requirements and trends.

In December 2019, the Board began a number of workshops, facilitated by Donata Denny, a highly respected Leadership Coach and Professional Development Advisor. The workshops are designed to enhance the performance of the Board and each of its members by increasing awareness and reinforcing psychological safety, which is recognised as a key enabler for high performing teams. The workshops will continue through 2020 and the outcomes will be reported in our next annual report and accounts.

Annual remuneration report

continued

External advisors

During the year, the Committee received advice from Deloitte, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. The Committee is satisfied that Deloitte is and remains independent of the company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year, Deloitte also provided advice in relation to tax compliance and risk advisory services. The Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently. Their total fees for the provision of remuneration services to the Committee for 2019 were £30,300.

The Committee is satisfied that the advice they have received has been objective and independent.



Eva Lindqvist

Chairman of the Remuneration Committee (from 1 January 2020)

3 March 2020



Paul Withers

Chairman of the Remuneration Committee (until 1 January 2020)

3 March 2020

Directors' report



Kerry Porritt

Group Company Secretary
and Legal Advisor

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

This report is required to be produced by law. The Disclosure and Transparency Rules and Listing Rules also require us to make certain disclosures.

The Corporate governance statement, including the Audit Committee report, forms part of this Directors' report and is incorporated by reference. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, the Strategic report on pages 1 to 46 and this Directors' report fulfil the requirement of Disclosure and Transparency Rule 4.1.5R to provide a Management report.

Results and dividends

The results for the year, showing an underlying profit before taxation of £81.3m (2018: £80.5m), are set out on pages 100 to 155. Statutory profit before tax was £51.6m (2018: £8.4m). The Directors recommend a final dividend of 27.4p per share to be paid on 26 June 2020, to members on the register at the close of business on 5 June 2020. The final dividend includes a non-recurring supplementary dividend of 2.3p per share. An interim dividend of 12.6p per share was paid on 16 September 2019. The total dividend for the year of 40.0p (2019: 35.9p) will amount to £28.8m (2018: £25.9m).

Going concern and viability statement

Information relating to the going concern and viability statements is set out on page 31 of the Strategic report and is incorporated by reference into this report.

Financial instruments

Full details can be found in note 24 to the financial statements and in the Chief Financial Officer's review.

Post Balance Sheet events

On 1 January 2020, our North American business was reorganised by integrating seven foundation businesses and rebranding them as Keller. The new organisation is managed as eight business units, seven geographically based and one offering speciality services.

There were no other material post balance sheet events between the balance sheet date and the date of this report.

Change of control

The group's main banking facilities contain provisions that, upon 15 days' notice being given to the group, lenders may exercise their discretion to require immediate repayment of the loans on a change of control and cancel all commitments under the agreement.

Certain other commercial agreements, entered into in the normal course of business, include change of control provisions. There are no agreements providing for compensation for the Directors or employees on a change of control.

Transactions with related parties

Apart from transactions between the company, its subsidiaries and joint operations, which are related parties, there have been no related party transactions during the year.

Directors and their interests

The names of all persons who, at any time during the year, were Directors of the company can be found on pages 50 and 51. The interests of the Directors holding office at the end of the year in the issued ordinary share capital of the company and any interests in its performance share plan are given in the Directors' remuneration report on pages 80 and 81.

No Director had a material interest in any significant contract, other than a service contract or a contract for services, with the company or any of its operating companies during the year.

The company's Articles of Association indemnify the Directors out of the assets of the company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the Companies Act 2006. The company maintains insurance for Directors and Officers in respect of liabilities which could arise on the discharge of their duties.

Directors' report

continued

Powers of the Directors

The business of the company is managed by the Board, which may exercise all the powers of the company subject to the provisions of the company's Articles of Association, the Companies Act 2006 and any ordinary resolution of the company. Specific treatment of Directors' powers regarding allotment and repurchase of shares is provided under separate headings below.

Amendment of the company's Articles of Association

Any amendments to the company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution. The company's Articles of Association were last amended in May 2017.

Appointment and replacement of Directors

Directors shall be no fewer than two and no more than 12 in number. Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM. A Director may be removed by the company as provided for by applicable law, in certain circumstances set out in the company's Articles of Association (for example bankruptcy, or resignation), or by a special resolution of the company. All Directors stand for re-election on an annual basis, in line with the recommendations of the UK Corporate Governance Code.

Employees

The group employed approximately 10,000 people at the end of the year.

Employment policy

The group gives full and fair consideration to applications for employment made by disabled persons, having regard for their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who become disabled during their employment and the provision of training and career development and promotion, where appropriate. Information on the group's approach to employee involvement, equal opportunities and health, safety and the environment can be found in the Sustainability report on pages 39 to 46.

S172 statement

During the financial year, the Directors have considered the needs of the Company's stakeholders as part of their decision-making process. Details are set out in our s172 statement on pages 58 and 59.

Political donations

No political donations were made during the year. Keller has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the company is set out on page 45 and is incorporated by reference into this report.

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Research and development

The group continues to have in-house design, development and manufacturing facilities, where employees work closely with site engineers to develop new and more effective methods of solving problems of ground conditions and behaviour. Most of the specialised ground improvement equipment used in the business is designed and built in-house and, where applicable, the development costs are included in the cost of the equipment.

Share capital

Details of the share capital, together with details of the movements in the company's issued share capital during the year, are shown in note 26 to the consolidated financial statements. The company has one class of ordinary shares which is listed on the London Stock Exchange ('ordinary shares'). ordinary shares carry no right to a fixed income; and each ordinary share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a shareholding, nor on the transfer of shares, which are both governed by the Articles of Association and the prevailing law. The Directors are not aware of any agreements between shareholders that may result in restrictions on voting rights and the transfer of securities. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

Details of employee share plans are set out in note 30 to the consolidated financial statements. Treasury shares and shares held by the Keller Group plc Employee Benefit Trust are not voted.

Repurchase of shares

The company obtained shareholder authority at the last AGM (16 May 2019) to buy back up to 7,205,988 ordinary shares. The authority remains outstanding until the conclusion of the 2020 AGM but could be varied or withdrawn by agreement of shareholders at an intervening general meeting. The minimum price which must be paid for each ordinary share is its nominal value and the maximum price is the higher of an amount equal to not more than 5% above the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made, and an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

The Directors have not used, and have no current plans to use, this authority.

Allotment of shares and pre-emption disapplication

Shareholder authority was also given at the last AGM for the Directors to allot new shares up to a nominal amount of £2,401,996, equivalent to approximately one-third of the company's issued share capital (excluding treasury shares) as at 3 March 2019 and to disapply pre-emption rights up to an aggregate nominal amount of £360,299, representing approximately 5% of the company's issued share capital as at 3 March 2019.

The Directors have not used, and have no current plans to use, these authorities.

Substantial shareholdings

At 3 March 2020, the company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of shareholders in the company:

Ordinary shares	Number of ordinary shares	Percentage of the total voting rights
FIL Limited	4,728,982	6.56%
Schroders plc	4,310,543	5.98%
Old Mutual Plc	4,242,670	5.96%
Aberforth Partners LLP	3,589,696	5.00%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Artemis Investment Management LLP	3,561,152	4.94%
Standard Life Aberdeen plc	3,443,366	4.78%
Norges Bank	2,935,949	4.08%
Legal & General Group plc	2,191,472	3.04%

Source: TR1 notifications made by shareholders to the company.

Auditors

The Board has decided that Ernst & Young LLP will be proposed as the group's auditors for the year ending 31 December 2020 and a resolution to appoint Ernst & Young LLP will be put to shareholders at the 2020 AGM.

AGM

The full details of the 2020 AGM, which will take place on 21 May 2020, are set out in the Notice of Meeting, together with the full wording of the resolutions to be tabled at the meeting.

Disclaimer

The purpose of this Annual Report and Accounts is to provide information to the members of the company, as a body, and no other persons.

The company, its Directors and employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Information included in the Directors' report

Certain information that fulfils the requirements of the Corporate governance statement can be found in the Directors' report in the sections headed 'Substantial shareholdings', 'Repurchase of shares', 'Amendment of the company's Articles of Association', 'Appointment and replacement of Directors' and 'Powers of the Directors' and is incorporated into this Corporate governance section by reference.

Other information

The Directors who held office at the date of approval of this Directors' report confirm that, in accordance with the provisions of section 418 of the Companies Act 2006, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.



Kerry Porritt
Group Company Secretary and Legal Advisor
3 March 2020

Registered office:
5th floor, 1 Sheldon Square
London W2 6TT

Registered in England No. 2442580

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the group and company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law and they have elected to prepare the company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of their profit or loss for that period. In preparing each of the group and company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
- for the company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- assess the group and company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and the financial statements

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole; and
- The Strategic report and Directors' report, including content contained by reference, includes a fair review of the development and performance of the business and the position and performance of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The Strategic report (pages 1 to 46) and the Directors' report (pages 87 to 89) have been approved and are signed by order of the Board by:



Kerry Porritt
Group Company Secretary and Legal Advisor
3 March 2020

Registered Office:
5th floor, 1 Sheldon Square
London W2 6TT

Registered in England No. 2442580

Independent Auditor's report to the members of Keller Group plc

Opinion

In our opinion:

- Keller Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Keller Group plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2019	Balance sheet as at 31 December 2019
Consolidated income statement for the year ended 31 December 2019	Statement of changes in equity for the year ended 31 December 2019
Consolidated statement of comprehensive income for the year ended 31 December 2019	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year ended 31 December 2019	
Consolidated cash flow statement for the year ended 31 December 2019	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union for the group financial statements and, FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 30 to 38 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 31 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 31 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 31 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's report to the members of Keller Group plc

continued

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Revenue recognition – percentage of completion basis • Revenue recognition – earned value basis • Carrying value of goodwill (group) and investment in subsidiary undertakings (parent company) • Quality of earnings including disclosure of exceptional items • Self-insurance liability provision
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 25 components and audit procedures on specific balances for a further 30 components • The components where we performed full or specific audit procedures accounted for 94% of the adjusted profit before tax measure used to calculate materiality, 93% of revenue and 94% of total assets
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £3.43m which represents 4% of adjusted profit before tax

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition Refer to the Audit Committee Report (page 67); Accounting policies (page 107); and note 4 of the Consolidated Financial Statements (page 114).</p> <p>The group recognises revenue either as earned value (EV) or on the percentage of completion (POC) basis, depending on the size and nature of the contract (in accordance with the guidelines provided in the group revenue recognition policy and IFRS).</p> <p>The judgements involved in determining revenue recognition under both recognition methods present a significant fraud risk as results are susceptible to manipulation, particularly around the cost to complete and percent of completion for POC and contract provisions for both POC and EV bases.</p> <p>We have discussed specific risks and our responses to both POC and EV.</p>	<p>We have performed a risk assessment of the population of contracts, selected a sample of higher-risk (value and/or complexity) contracts across the group and obtained an understanding of the contract terms, key operational or commercial/ financial issues, if applicable, judgements that may impact the contract position, and appropriateness of revenue recognition (either EV or POC) at 31 December 2019.</p> <p>Factors we considered when determining additional higher-risk contracts to select include low margin, loss making and/or delayed performance or commencement of contracts.</p> <p>For all revenue recorded on the percentage of completion and earned value bases, we:</p> <ul style="list-style-type: none"> • Performed walkthroughs of significant classes of revenue transactions and assessed the design effectiveness of key controls. • Considered the appropriateness of supporting evidence and the requirements of IFRS 15 and the group's accounting policies where contracts include additional entitlements for variations and claims, both for and against the group. • Challenged the level of unbilled revenues and the adequacy of the evidence to prove recoverability through subsequent work certifications and cash collections. 	<p>Conclusions and results of our procedures on POC and EV are discussed below.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Percentage of completion basis</p> <p>The percentage of completion method is subject to a high level of judgement, particularly in determining forecast revenue and costs to complete.</p>	<p>We performed full and specific scope audit procedures over this risk area in 12 locations, which covered 95% of the risk amount.</p> <p>For revenue under the percentage of completion basis, we have performed the following:</p> <ul style="list-style-type: none"> Assessed the reasonableness of management's calculations of costs to complete, which included understanding the risks/outstanding works remaining on the contract, the impact of any delays or other delivery issues and the related cost assumptions/contingencies. Assessed the appropriateness of cost allocation across contracts (eg verify no manipulation of costs between profit-making and loss-making contracts) through a combination of cost verification, and analytical procedures on contract margins. Evaluated the expected margin and revenue recognised to date against contract and project progress. 	<p>From the audit procedures performed, we conclude that the recognition of the revenue using percentage of completion was appropriate, that the judgements made by management are consistent with the accounting policy to be applied to all contracts with customers, and that the presentation and disclosure of revenue is materially correct and has been recognised appropriately.</p>
<p>Earned value basis</p> <p>In assessing the recognition of revenue and profits using the 'earned value' method, management may use inappropriate measures or assumptions to evaluate the group's progress towards complete satisfaction of a performance obligation and/or the risks attached to work still remaining to be completed or in the recognition of revenue relating to variations. Management may further inaccurately record revenue and costs in performing year-end cut-off procedures and inappropriately record manual, 'top-side' journal entries to misstate revenues recognised through the earned value method.</p> <p>Judgement is required when using the earned value basis, in particular the assessment risks associated with delivery of each of the associated outputs and tasks and remaining risks associated with tasks still to deliver. There will also be a number of open contracts at the year end, where there is a need to demonstrate appropriate cut-off.</p>	<p>We performed full and specific scope audit procedures over this risk area in 35 locations, which covered 92% of the risk amount.</p> <p>For revenue recognised on the earned value basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> Considered whether the assessment of earned value appropriately depicts outputs actually delivered and progress towards satisfaction of performance obligations. Assessed the appropriateness of cost allocation across contracts (eg verify no manipulation of costs between profit-making and loss-making contracts) through a combination of cost verification against invoices and analytical procedures. Assessed whether revenue has been recognised in the appropriate period. This included assessing whether revenue recognised at the year end on open contracts is supported by evidence (eg measured works certificates) that demonstrates the period in which the work was performed. 	<p>From the audit procedures performed, we conclude that the recognition of revenue on an earned value basis was appropriate, that the judgements made by management are consistent with the accounting policy to be applied to all contracts with customers, and that the presentation and disclosure of revenue is materially correct and has been recognised appropriately.</p>

Independent Auditor's report to the members of Keller Group plc

continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Carrying value of goodwill (group) and investment in subsidiary undertakings (parent company) Refer to the Audit Committee Report (page 67); Accounting policies (page 109); and note 14 of the Consolidated Financial Statements (page 121).</p> <p>Under IAS 36, an entity must assess intangible items with an indefinite useful life annually, or whenever indicators of impairment are present for all other assets.</p> <p>Under IAS 36, an entity must assess intangible items with an indefinite useful life annually, or whenever indicators of impairment are present for all other assets.</p> <p>Due to the degree of estimation involved in calculating the expected future cash flows from cash generating units (CGUs) and determining appropriate long-term growth rates and discount rates specific to each CGU, we have identified a significant risk regarding the assessment of any impairment against goodwill carrying values, as well as the identification of any indicators of goodwill as an area of focus.</p> <p>In performing our audit procedures for the goodwill balance, we will focus our procedures on goodwill held in Keller Canada due to the performance of the business.</p> <p>In the parent company financial statements, we have identified a risk that investments may be included on the balance sheet at inappropriate amounts. Under IAS 36, an entity should test for impairment in its investments in subsidiaries that are carried at cost or using the equity method.</p>	<p>We have performed the following:</p> <ul style="list-style-type: none"> • Walkthrough of the impairment analysis and calculation process (eg controls over the data and assumptions used) to obtain an understanding. • In respect of CGUs for which impairment tests were performed, we have assessed and challenged the key inputs of the final forecast cash flows including: <ul style="list-style-type: none"> – Consideration of CGUs identified given changes in group structure and the appropriateness of the allocation assets and liabilities. – Assessed the discount rate used by obtaining the underlying data used in the calculation and benchmarking against comparable organisations with the support of our EY Valuation experts. – Validated the growth rates assumed by comparing them to economic and industry forecasts. – Challenged management on the achievability of the cash flow forecasts and assessed the appropriateness of the projected financial information against original forecasts and other market data to assess the robustness of management's forecasting process. – Analysed the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience. <p>Component teams have supported the primary team in assessing the growth rates and achievability of the cash flows based on their understanding of the business and local market and industry conditions.</p> <ul style="list-style-type: none"> • Performed sensitivity analyses by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between carrying value and fair value; • Compared the carrying value of all the CGUs to the market capitalisation of the group; and • Considered the appropriateness of the related disclosures provided in the notes to the group financial statements. <p>In performing our audit procedures for the goodwill balance, we have focused our procedures on goodwill held in Keller Canada amounting to £32.6m due to recently identified changes in market environment.</p> <p>For investments in subsidiary undertakings in the parent company accounts, we have ensured that the assessment used in goodwill is aligned to the assessment in investment in subsidiaries and that any impairment indicators identified in the goodwill assessment are considered by management in ensuring no impairment in the parent company financial statements.</p>	<p>We have completed our audit procedures on goodwill (group) and investment in subsidiary (parent company).</p> <p>Based on the final forecast cash flows and assumptions used, there is sufficient headroom across all CGUs other than in Canada where a £20.2m impairment was recognised during the year. As a result of our independent assessment and calculation, we conclude that the impairment recorded is appropriate and reflective of the operating loss in the Canadian business in 2019 combined with the economic downturn in the region, resulting to forecast profits no longer supporting the full goodwill balance.</p> <p>We note that the same analysis prepared by management was used in arriving at the conclusion around investment carrying value and impairment in the parent company financial statements. Based on the assessment of investments held in the parent company, no impairment was recorded in the investment in Keller Holding Ltd, which owns the entire investment in Canada.</p> <p>Based on the procedures performed, management's assessments are considered reasonable.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Quality of earnings, including disclosure of non-underlying items Refer to the Audit Committee Report (page 68); Accounting policies (page 111); and note 8 of the Consolidated Financial Statements (page 117).</p> <p>The group's accounting policy is to classify certain income statement balances as non-underlying items, where they are exceptional by their size and non-trading nature, including those relating to restructuring.</p> <p>As at the year end, management identified certain items totalling £29.7m which they believe are significant by either size and/or nature, which warrant separate disclosure in the consolidated financial statements to better reflect underlying business performance.</p>	<p>We have assessed quality of earnings and appropriateness of amounts and related disclosures of non-underlying items.</p> <p>We obtained the breakdown of non-underlying items to determine whether by their nature they meet the definition of exceptional items, in accordance with group policy and ESMA guidance in full.</p> <p>We also assessed the appropriateness of the disclosures of non-underlying items and adjusting items in light of IFRS (IAS 1) and the continued focus by the accounting regulators on Alternative Profit Measures (APMs) with the support of our EY technical review team.</p>	<p>As a result of our audit procedures performed, no items were inappropriately included or excluded from non-underlying items.</p> <p>We have assessed that the APM included in the Annual Report is appropriately defined and reconciled to GAAP measures.</p>
<p>Self-insurance liability provision Refer to the Audit Committee Report (page 68); Accounting policies (page 111); and note 22 of the Consolidated Financial Statements (page 127).</p> <p>The group have a self-insurance arrangement in place managed by a captive insurance entity ('the Captive') to act as an insurance vehicle balancing self-insured risk with premium levels. The Captive covers both public and product liability and professional indemnity claims for the group up to a certain limit, as such, all claims in excess of the limit are covered by a fronting insurer.</p> <p>Historically, the captive entity has been consolidated to the group financial statements, however, only provisions relating to 'known claims' are recognised and provision on 'incurred but not reported' (IBNR), representing an estimate of claims that have occurred at the end of the reporting period but which have not yet been notified to the entity, have been eliminated on consolidation.</p>	<p>We have performed procedures on the self-insurance arrangement designed to assess the completeness of liabilities recognised under IAS 37 at the group level. Specifically, we have performed the following:</p> <ul style="list-style-type: none"> • Walkthrough with management and other relevant parties with regards to the completeness of insurance liabilities. • Assessed whether all significant exposures are appropriately quantified and disclosed. • In addition to EY Isle of Man component team auditing the captive insurance entity, we have engaged EY insurance actuarial specialists to assess management's valuation of insurance provision to be recorded in the consolidated balance sheet. • We have also performed procedures on underlying information particularly on claims and payment history which formed the basis of management specialist's review of historical information to assess the liability. • Obtained the views of EY Technical and ensured appropriate and adequate disclosures are made in the financial statements with regards to the accounting policy and prior year adjustments. 	<p>The group have not previously included the IBNR amounts in the balance sheet on the basis that they consolidate out within the group in line with IAS 37 'Provisions'. As a result of our audit procedures, management revised their accounting policy to recognise a provision on the consolidated balance sheet in respect of these claims amounting to £18.6m and £18.8m, £19.4m for the years 2019, 2018 and 2017, respectively. The current and prior year adjustments have been determined by discounting actuarial valuations which we have concluded to be a reasonable basis.</p>

Independent Auditor’s report to the members of Keller Group plc

continued

In the current year, quality of earnings and disclosure of non-underlying items and self-insurance liability provision have been included as key audit matters. All key audit matters identified by the predecessor auditor have been included in the current year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 155 reporting components of the group, we selected 55 components covering entities within APAC, EMEA and North America, which represent the principal business units within the group.

Of the 55 components selected, we performed an audit of the complete financial information of 25 components (full scope components) which were selected based on their size or risk characteristics. For the remaining 30 components (specific scope components), we performed audit procedures on specific accounts within that component, which we considered had the

potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

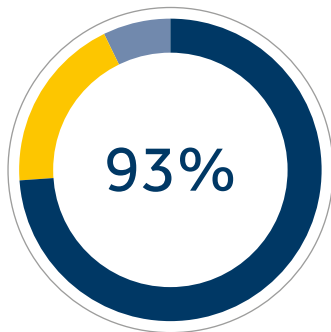
The reporting components where we performed audit procedures accounted for 94% (2018: 85%) of the group’s adjusted PBT measure used to calculate materiality, 93% (2018: 86%) of the group’s revenue and 94% (2018: 82%) of the group’s total assets. For the current year, the full scope components contributed 82% (2018: 85%) of the group’s adjusted PBT measure used to calculate materiality, 74% (2018: 86%) of the group’s revenue and 74% (2018: 82%) of the group’s total assets. The specific scope components contributed 12% of the group’s adjusted PBT measure used to calculate materiality, 19% of the group’s revenue and 20% of the group’s total assets, no specific scope entities were assigned by the predecessor auditor. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group. We also instructed eight locations to perform specified procedures over cash and cash equivalents balances for existence purposes, as described in the risk section.

Of the remaining 100 components that together represent 6% of the group’s adjusted profit before tax measure used to calculate materiality, none individually represent greater than 1% of the group’s adjusted profit before tax used to establish materiality. For these components, we performed other audit procedures, including analytical review and/or ‘review scope’ components, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

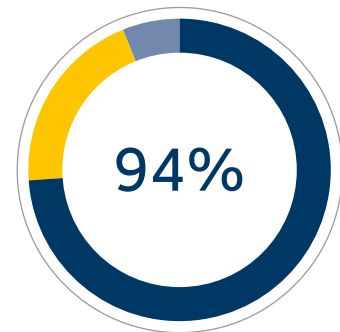
Revenue

- Full Scope 74%
- Specific Scope 19%
- Other Procedures 7%



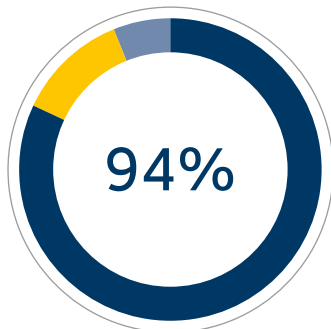
Total assets

- Full Scope 74%
- Specific Scope 20%
- Other Procedures 6%



Adjusted profit before tax

- Full Scope 82%
- Specific Scope 12%
- Other Procedures 6%



Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 25 full scope components, audit procedures were performed on 13 of these directly by the primary audit team. For the 30 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The group audit team followed a programme of planned visits designed to ensure that the Senior Statutory Auditor has adequate and appropriate oversight of the components. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Germany, Singapore and United States of America. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and/or closing meetings, conducting contract site visits and reviewing key audit working papers on risk areas. The primary team interacted regularly with component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

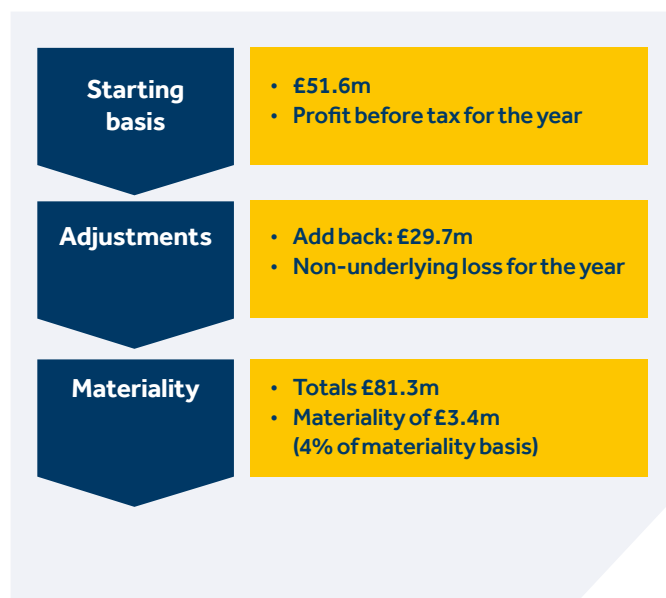
Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £3.4m (2018: £3.6m), which is 4% (2018: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with an appropriate materiality basis to exclude non-underlying items as detailed in note 8; in addition, these were identified as a key audit matter which resulted in additional audit focus. In 2018, the predecessor auditor set group materiality using the same basis.

We determined materiality for the parent company to be £5.0m (2018: £2.7m), which is 1% of equity. We determine equity to be the most appropriate basis for materiality due to the nature of the entity. In 2018, the predecessor auditor set company materiality at £2.7m with reference to a benchmark of company total assets representing 0.4%.

During the course of our audit, we reassessed initial materiality and no change has been made to the materiality levels as planning materiality was lower than the year end assessed materiality.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality should be set at 50% (2018: 75%) of our planning materiality, namely £1.7m (2018: £3.6m). We have set performance materiality at this percentage due to this being an initial audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.2m to £1.7m (2018: £1.1m to £3.2m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2018: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's report to the members of Keller Group plc

continued

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 157, including the Strategic Report (pages 1 to 46) and Corporate governance (pages 47 to 99), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 90** – the statement given/the explanation as to why the Annual Report does not include a statement by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 66 to 69** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee/the explanation as to why the Annual Report does not include a section describing the work of the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 90** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 90, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (IFRS as adopted by the EU, FRS 101, the Companies Act 2006 and Corporate Governance Code) and the relevant tax compliance regulations in the components. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements, being the Listing Rules of the London Stock Exchange and the Bribery Act 2010.
- We understood how Keller Group plc is complying with those frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, discussions with the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above addresses procedures performed in areas where we have concluded the risks of material misstatement are highest (including where due to the risk of fraud). These procedures included testing manual journal entries.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations and enquires of the Company Secretary and management.
- In the case of Keller Group, all full and specific scope components were instructed to perform procedures in the identification of instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at (www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Harkin (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
3 March 2020

Consolidated income statement

For the year ended 31 December 2019

	Note	2019					2018		
		Underlying IAS 17 basis £m	IFRS 16 impact ¹ £m	Underlying IFRS 16 basis £m	Non-underlying items (note 8) £m	Statutory IFRS 16 basis £m	Underlying IAS 17 basis £m	Non-underlying items (note 8) £m	Statutory IAS 17 basis £m
Revenue	3,4	2,300.5	–	2,300.5	–	2,300.5	2,224.5	–	2,224.5
Operating costs	6	(2,199.4)	2.0	(2,197.4)	(28.7)	(2,226.1)	(2,129.5)	(64.2)	(2,193.7)
Amortisation of acquired intangible assets		–	–	–	(4.3)	(4.3)	–	(7.9)	(7.9)
Other operating income		–	–	–	3.3	3.3	–	0.5	0.5
Share of post-tax results of joint ventures	16	0.7	–	0.7	–	0.7	1.6	–	1.6
Operating profit/(loss)	3	101.8	2.0	103.8	(29.7)	74.1	96.6	(71.6)	25.0
Finance income	9	0.8	–	0.8	–	0.8	0.6	–	0.6
Finance costs	10	(19.0)	(4.3)	(23.3)	–	(23.3)	(16.7)	(0.5)	(17.2)
Profit/(loss) before taxation		83.6	(2.3)	81.3	(29.7)	51.6	80.5	(72.1)	8.4
Taxation	11	(23.1)	0.7	(22.4)	(7.5)	(29.9)	(22.5)	0.3	(22.2)
Profit/(loss) for the year		60.5	(1.6)	58.9	(37.2)	21.7	58.0	(71.8)	(13.8)
Attributable to:									
Equity holders of the parent		60.2	(1.6)	58.6	(37.2)	21.4	57.0	(71.8)	(14.8)
Non-controlling interests	32	0.3	–	0.3	–	0.3	1.0	–	1.0
		60.5	(1.6)	58.9	(37.2)	21.7	58.0	(71.8)	(13.8)
Earnings/(loss) per share									
Basic	13	83.5p		81.3p		29.7p	79.2p		(20.6)p
Diluted	13	83.5p		81.3p		29.7p	79.1p		(20.6)p

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £m	2018 £m
Profit/(loss) for the year		21.7	(13.8)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(22.0)	8.8
Cash flow hedge gains taken to equity	24	–	1.0
Cash flow hedge transfers to income statement	24	–	(1.0)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	31	(3.2)	0.8
Tax on remeasurements of defined benefit pension schemes	11	0.6	(0.1)
Other comprehensive (loss)/income for the year, net of tax		(24.6)	9.5
Total comprehensive loss for the year, net of tax		(2.9)	(4.3)
Attributable to:			
Equity holders of the parent		(3.3)	(5.4)
Non-controlling interests		0.4	1.1
		(2.9)	(4.3)

Consolidated balance sheet

As at 31 December 2019

	Note	2019 £m	2018 ² £m
Assets			
Non-current assets			
Goodwill and intangible assets	14	124.7	153.4
Property, plant and equipment ¹	15	460.6	422.0
Investments in joint ventures	16	3.8	4.6
Deferred tax assets	11	13.3	26.9
Other assets	17	22.3	21.5
		624.7	628.4
Current assets			
Inventories	18	70.6	80.3
Trade and other receivables	19	626.7	610.9
Current tax assets		4.2	14.7
Cash and cash equivalents	20	98.9	110.5
		800.4	816.4
Total assets	3	1,425.1	1,444.8
Liabilities			
Current liabilities			
Loans and borrowings ¹	24,25	(41.0)	(42.8)
Current tax liabilities		(21.1)	(18.6)
Trade and other payables	21	(486.8)	(465.8)
Provisions	22	(17.7)	(11.0)
		(566.6)	(538.2)
Non-current liabilities			
Loans and borrowings ¹	24,25	(347.7)	(353.9)
Retirement benefit liabilities	31	(27.7)	(27.9)
Deferred tax liabilities	11	(26.1)	(37.9)
Provisions	22	(40.0)	(41.8)
Other liabilities	23	(19.5)	(18.6)
		(461.0)	(480.1)
Total liabilities	3	(1,027.6)	(1,018.3)
Net assets	3	397.5	426.5
Equity			
Share capital	26	7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve	26	7.6	7.6
Translation reserve		19.1	41.2
Other reserve	26	56.9	56.9
Retained earnings		263.2	270.5
Equity attributable to equity holders of the parent		392.2	421.6
Non-controlling interests	32	5.3	4.9
Total equity		397.5	426.5

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated.

2 Trade and other payables, provisions and retained earnings presented here do not agree to the published 2018 consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 33 to the financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 March 2020.

They were signed on its behalf by:



Michael Speakman
Chief Executive Officer



Mark Hooper
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital (note 26) £m	Share premium account £m	Capital redemption reserve (note 26) £m	Translation reserve £m	Other reserve (note 26) £m	Hedging reserve (note 24) £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non- controlling interests (note 32) £m	Total equity £m
At 1 January 2018	7.3	38.1	7.6	32.5	56.9	–	326.0	468.4	3.8	472.2
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	2.3	2.3	–	2.3
Prior year restatement ¹	–	–	–	–	–	–	(18.8)	(18.8)	–	(18.8)
(Loss)/profit for the year	–	–	–	–	–	–	(14.8)	(14.8)	1.0	(13.8)
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	8.7	–	–	–	8.7	0.1	8.8
Cash flow hedge gains taken to equity	–	–	–	–	–	1.0	–	1.0	–	1.0
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.0)	–	(1.0)	–	(1.0)
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.8	0.8	–	0.8
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Other comprehensive income for the year, net of tax	–	–	–	8.7	–	–	0.7	9.4	0.1	9.5
Total comprehensive income/(loss) for the year	–	–	–	8.7	–	–	(14.1)	(5.4)	1.1	(4.3)
Dividends	–	–	–	–	–	–	(26.3)	(26.3)	–	(26.3)
Share-based payments	–	–	–	–	–	–	1.4	1.4	–	1.4
At 31 December 2018 and 1 January 2019 ¹	7.3	38.1	7.6	41.2	56.9	–	270.5	421.6	4.9	426.5
Profit for the year	–	–	–	–	–	–	21.4	21.4	0.3	21.7
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(22.1)	–	–	–	(22.1)	0.1	(22.0)
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(3.2)	(3.2)	–	(3.2)
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.6	0.6	–	0.6
Other comprehensive (loss)/income for the year, net of tax	–	–	–	(22.1)	–	–	(2.6)	(24.7)	0.1	(24.6)
Total comprehensive (loss)/income for the year	–	–	–	(22.1)	–	–	18.8	(3.3)	0.4	(2.9)
Dividends	–	–	–	–	–	–	(26.3)	(26.3)	–	(26.3)
Share-based payments	–	–	–	–	–	–	0.2	0.2	–	0.2
At 31 December 2019	7.3	38.1	7.6	19.1	56.9	–	263.2	392.2	5.3	397.5

1 Retained earnings and total equity presented here do not agree to the published 2018 consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 33 to the financial statements.

Consolidated cash flow statement

For the year ended 31 December 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Underlying operating profit (as per consolidated income statement)	3	103.8	96.6
Depreciation of property, plant and equipment	15	94.0	69.7
Amortisation of intangible assets	14	0.6	1.2
Share of post-tax results of joint ventures	16	(0.7)	(1.6)
Loss/(profit) on sale of property, plant and equipment		2.2	(1.7)
Other non-cash movements		12.3	7.0
Foreign exchange gains		(0.4)	(0.1)
Operating cash flows before movements in working capital		211.8	171.1
Decrease/(increase) in inventories		6.2	(8.0)
(Increase)/decrease in trade and other receivables		(54.3)	26.0
Increase/(decrease) in trade and other payables		46.5	(16.5)
Decrease in provisions, retirement benefit and other non-current liabilities		(12.3)	(10.1)
Cash generated from operations before non-underlying items		197.9	162.5
Cash inflows/(outflows) from non-underlying items: contract dispute		3.3	(0.8)
Cash outflows from non-underlying items: acquisition costs		(0.7)	–
Cash outflows from non-underlying items: restructuring costs		(2.2)	(4.4)
Cash generated from operations		198.3	157.3
Interest paid		(22.1)	(15.8)
Income tax paid		(12.3)	(16.7)
Net cash inflow from operating activities		163.9	124.8
Cash flows from investing activities			
Interest received		0.6	0.7
Proceeds from sale of property, plant and equipment		10.9	8.5
Proceeds from sale of other non-current assets	17	4.6	3.5
Acquisition of subsidiaries, net of cash acquired	5	(0.6)	(68.4)
Cash received from escrow	5	2.7	–
Acquisition of property, plant and equipment	15	(62.2)	(85.1)
Acquisition of other intangible assets	14	(0.7)	(0.5)
Dividends received from joint ventures	16	1.1	0.9
Net cash outflow from investing activities		(43.6)	(140.4)
Cash flows from financing activities			
New borrowings		37.0	281.7
Repayment of borrowings		(118.6)	(186.1)
Cash flows from derivative instruments	24	(0.1)	1.5
Payment of lease liabilities (2018: payment of finance lease liabilities)		(23.9)	(1.6)
Dividends paid	12	(26.3)	(26.3)
Net cash (outflow)/inflow from financing activities		(131.9)	69.2
Net (decrease)/increase in cash and cash equivalents		(11.6)	53.6
Cash and cash equivalents at beginning of year		103.7	51.3
Effect of exchange rate fluctuations		(4.6)	(1.2)
Cash and cash equivalents at end of year	20	87.5	103.7

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of Keller Group plc and its subsidiaries (collectively, 'the group') for the year ended 31 December 2019 were authorised for issue in accordance with the resolution of the directors on 3 March 2020.

Keller Group plc ('the company') is a public limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 5th floor, 1 Sheldon Square, London W2 6TT. The group is principally engaged in the provision of specialist geotechnical engineering services. Information on the group's structure is provided in note 9 of the company financial statements.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand (£m), except when otherwise indicated.

In preparing the consolidated balance sheet for the year ended 31 December 2019, the group adjusted amounts previously reported as at 31 December 2018 and as such the consolidated balance sheet has been restated. The following items within the consolidated balance sheet reported in the group's financial statements at 31 December 2018 have been restated. Provisions have been restated to reflect contract insurance liabilities in the group's captive insurance arrangement and to reflect the revised classification of legal provisions. Trade and other payables have been restated to reflect the revised classification of legal provisions. Refer to note 33 for further details.

The consolidated financial statements are prepared on a going concern basis as set out on page 31.

The company prepares its parent company financial statements in accordance with FRS 101.

Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings to 31 December each year. Subsidiaries are entities controlled by the company. Control exists when the company has power over an entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns. Where subsidiary undertakings were acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings using the acquisition method of accounting. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Joint operations

Where the group undertakes contracts jointly with other parties, these are accounted for as joint operations as defined by IFRS 11. In accordance with

IFRS 11, the group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the joint operations agreement.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The consolidated financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, whereby the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures are not recognised except where the group has a constructive commitment to make good those losses. The results of joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The group has adopted IFRS 16 'Leases' from 1 January 2019. The nature and effect of this standard is detailed below. Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the group. The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

The group has adopted IFRS 16 using the modified retrospective approach method of adoption with the initial date of application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. As a consequence, the comparative information presented for 2018 has not been restated. The group also elected to use the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value (eg leases of office equipment that are considered of low value, below £3,000).

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	£m
Assets	
Property, plant and equipment	87.3
Other assets	(0.1)
Total assets	87.2
Liabilities	
Loans and borrowings	88.1
Trade and other payables	(0.7)
Provisions	(0.2)
Total liabilities	87.2

Notes to the consolidated financial statements

continued

2 Significant accounting policies continued

The group has lease contracts for land and buildings, plant, machinery and vehicles. Prior to the adoption of IFRS 16, the group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risk and rewards of ownership of the leased asset to the group, otherwise it was classified as an operating lease. Assets under finance leases were capitalised at the commencement of the lease. For an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and trade and other payables, respectively.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the group.

Leases previously classified as finance leases

The group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (ie the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019. At the date of transition to IFRS 16, the group held £2.1m of assets and liabilities previously classified as finance leases.

Leases previously accounted for as operating leases

The group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application.

The group also applied the available practical expedients as follows:

- Reliance was placed on the previous identification of a lease as outlined in IAS 17 'Leases' for all contracts that existed on the date of initial application
- Reliance was placed on its assessment of whether leases are onerous immediately before the date of initial application instead of performing an impairment assessment as required under IAS 36 'Impairment of assets'
- The short-term lease exemptions to leases with a lease term that ends within 12 months of the date of initial application

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	%	£m
Operating lease commitments as at 31 December 2018¹		86.2
Weighted average incremental borrowing rate as at 1 January 2019 ²	5.2	
Discounted operating lease commitments as at 1 January 2019		79.4
Less		
Commitments relating to short-term leases ³		(3.7)
Commitments relating to leases of low-value assets		(0.3)
Add		
Lease payments relating to renewal options not included in operating leases		12.7
Lease liabilities as at 1 January 2019		88.1

- 1 Operating lease commitments presented here do not agree to note 27 of the published 2018 consolidated financial statements as a result of adjusting the operating lease commitments.
- 2 Under the modified retrospective method of transition to IFRS 16, lease payments were discounted at 1 January 2019 using the incremental borrowing rate. This represents the discount rate that the reporting unit within the group which holds the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The weighted average incremental borrowing rate applied by the group is 5.2%.
- 3 The group elected to apply the practical expedient to exempt leases with a lease term that ends within 12 months of the date of initial application of IFRS 16 as short-term leases.

IFRIC 23 'Uncertainty over Income Tax Treatment'

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 'Income Taxes'. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that best predicts the resolution of the uncertainty.

The group applies significant judgement in identifying uncertainties over income tax treatments. As the group operates in a complex global environment, it assessed whether the interpretation had an impact on its consolidated financial statements. Upon adoption of the interpretation, the group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the group.

Amendments to IAS 19 'Employee benefits'

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when such an event occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement. This is done, using the actuarial assumptions used to remeasure the net defined benefit asset or liability reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit asset or liability. The amendment did not have an impact on the consolidated financial statements of the group.

Amendments to IAS 12 'Income Taxes'

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income (OCI) or equity according to when it originally recognised those past transactions or events.

Summary of significant accounting policies

Foreign currencies

The group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency. For each entity, the group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the average rate.

The exchange rates used in respect of principal currencies are:

Average rates	2019	2018
US dollar	1.28	1.33
Canadian dollar	1.70	1.73
euro	1.14	1.13
Singapore dollar	1.74	1.80
Australian dollar	1.84	1.79

Year end rates	2019	2018
US dollar	1.33	1.27
Canadian dollar	1.72	1.74
euro	1.18	1.11
Singapore dollar	1.78	1.74
Australian dollar	1.89	1.80

Revenue from contracts with customers

The group's operations involve the provision of specialist geotechnical engineering services. The majority of the group's revenue is derived from construction contracts. Typically, the group's construction contracts consist of one performance obligation, however, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

For each contract, revenue is the amount that is expected to be received from the customer. Where consideration is variable, this is recognised only to the extent that it is highly probable that there will not be a significant reversal. The effect of contract modifications are recognised only when the group considers there is an enforceable right to consideration.

Revenue attributed to each performance obligation is recognised based on either the input or the output method, as appropriate:

- **Input method:** revenue is recognised on the percentage of completion with reference to cost. The percentage of completion is calculated based on the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known
- **Output method:** revenue is recognised on the direct measurement of progress based on output, such as units of production relative to the total number of contracted production units

Where the group becomes aware that a loss may arise on a total contract, and that loss is probable, full provision for the loss is recognised in the consolidated balance sheet.

Notes to the consolidated financial statements

continued

2 Significant accounting policies continued

Revenue from contracts with customers continued

Incremental bid/tender costs and fulfilment costs are not material to the overall contract and are expensed as incurred.

Any revenues recognised in excess of billings are recognised as contract assets within trade and other receivables. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade and other payables.

Revenue from the sale of goods and services

The group's revenue recognised from the sale of goods and services primarily relates to certain parts of the North America business. These contracts typically have a single performance obligation, or a series of distinct performance obligations that are substantially the same. There are typically two types of contract:

- **Delivery of goods:** revenue for such contracts is recognised at a point in time, on delivery of the goods to the customer
- **Delivery of goods with installation and/or post-delivery services:** revenue for these contracts is recognised over time by reference to the percentage of completion. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the contract, however, this results in most of the revenue being recognised on delivery of the goods to the customer as this forms the majority of the cost to the group

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognised on temporary differences in line with IAS 12 'Income Taxes'. Deferred tax assets are recognised when it is considered likely that they will be utilised against future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or to OCI, in which case the related deferred tax is also dealt with in equity or in OCI.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Interest income and expense

All interest income and expense is recognised in the income statement in the period in which it is incurred using the effective interest method.

Employee benefit costs

The group operates a number of defined benefit pension arrangements, and also makes payments into defined contribution schemes for employees.

The liability in respect of defined benefit schemes is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the schemes' assets. As allowed by IAS 19, the group recognises the administration costs, current service cost and interest on scheme net liabilities in the income statement, and remeasurements of defined benefit plans in OCI in full in the period in which they occur. Payments to defined contribution schemes are accounted for on an accruals basis.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation

Depreciation is not provided on freehold land.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment using the straight-line method by reference to their estimated useful lives as follows:

Buildings	50 years
Plant and equipment	8 to 12 years
Motor vehicles	4 years
Computers	3 years

An item of property, plant and equipment recognised is derecognised upon disposal (ie at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted where appropriate.

Leases (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at the lower of fair value or present value of minimum lease payments and depreciated in accordance with the group's accounting policy. The capital element of the leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the consolidated income statement, and capital, which reduces the outstanding obligation. Amounts payable under operating leases are charged to operating costs on a straight-line basis over the lease term.

Leases (from 1 January 2019)

The group assess at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (less than £3,000). The group recognises lease liabilities to make payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Land and buildings	5 to 15 years
Plant and equipment	3 to 8 years
Motor vehicles	3 to 5 years

The right-of-use asset is also subject to impairment. Right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate applied to each lease was determined by taking in to account the risk-free rate of the country where the asset under lease is located matched to the term of the lease and adjusted for factors such as the credit risk profile of the lessor. Incremental borrowing rates applied to individual leases range from 2.02% to 27.70%.

After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (eg changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The group's lease liabilities are included in interest-bearing loans and borrowings. Refer to note 25 for details.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of plant, machinery and vehicles (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually and whenever there is an indication that the goodwill may be impaired in accordance with IAS 36, with any impairment losses being recognised immediately in the income statement. Goodwill arising prior to 1 January 1998 was taken directly to equity in the year in which it arose. Such goodwill has not been reinstated on the balance sheet. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, software, patents, customer relationships, customer contracts and trade names. Other intangibles include internally developed software. Intangible assets are capitalised at cost and amortised on a straight-line basis over their useful economic lives from the date that they are available for use and are stated at cost less accumulated amortisation and impairment losses. The estimated useful economic lives are as follows:

Licenses	1 to 14 years
Software	3 to 7 years
Patents	2 to 7 years
Customer relationships	5 to 7 years
Customer contracts	1 to 2 years
Trade names	5 to 7 years

Notes to the consolidated financial statements

continued

2 Significant accounting policies continued

Impairment of assets excluding goodwill

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction. Transfers are made to other property, plant and equipment categories when the assets are available for use.

Inventories

Inventories are measured at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the group are as follows:

(a) Trade receivables and trade payables

Trade receivables are initially recorded at fair value and subsequently measured at cost and reduced by allowances for estimated irrecoverable amounts as disclosed in the 'revenue from contracts with customers' accounting policy.

For trade and other receivables and contract assets, the group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade payables are not interest bearing, are initially recognised at fair value and where applicable carried at amortised cost.

(b) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the group's cash management. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Subsequent to initial recognition, borrowings are stated at amortised cost, where applicable.

Bank or other borrowings are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original

liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(d) Derivative financial instruments and hedge accounting

The group uses derivative financial instruments to manage interest rate risk and to hedge fluctuations in foreign currencies in accordance with its risk management policy. In cases where these derivative instruments are significant, hedge accounting is applied as described below. The group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised in the balance sheet at fair value on the date the derivative contract is entered into and are subsequently remeasured at reporting periods to their fair values. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in OCI within the statement of comprehensive income. Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts originally recognised in OCI are transferred to the income statement when the underlying transaction occurs or, if the transaction results in a non-financial asset or liability, are included in the initial cost of that asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in OCI is retained in equity until the hedged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in OCI is transferred to the income statement in the period.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure or variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument

- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle the obligation.

Provisions for insurance liabilities retained in the group's captive insurance arrangements and legal claims are recognised as the best estimate of the expenditure required to settle the group's liability.

Financial guarantees

Where group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the group, these are considered to be insurance arrangements, and are accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee.

Share-based payments

The group operates a number of equity-settled executive and employee share plans. For all grants of share options and awards, the fair value at the grant date is calculated using appropriate option pricing models. The grant date fair value is recognised over the vesting period as an expense, with a corresponding increase in retained earnings.

Segmental reporting

The group comprises three geographical divisions which have only one major product or service: specialist geotechnical services. North America; Europe, Middle East and Africa; and Asia-Pacific continue to be managed as separate geographical divisions. This is reflected in the group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

Dividends

Interim dividends are recorded in the group's consolidated financial statements when paid. Final dividends are recorded in the group's consolidated financial statements in the period in which they receive shareholder approval.

Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles and other non-trading amounts, including those relating to acquisitions.

Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts of assets and liabilities, revenue and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require a material

adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may also differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Construction contracts

The group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy above. When revenue is recognised based on the output method, such as units of production, there is little judgement involved in accounting for construction contracts as the amount of revenue that has not been certified/accepted by the client is typically small and is usually based on volumes achieved at agreed rates. When revenue is recognised based on the input (cost) method, the main factors considered when making estimates and judgements include the cost of the work required to complete the contract in order to estimate the percentage completion, and the outcome of claims raised against the group by customers or third parties. The group performed around 7,000 contracts during 2019, at an average revenue of approximately £325,000 and a typical range of between £25,000 and £10m in value. The majority of contracts were completed in year and therefore there are no estimates involved in accounting for these. For contracts that are not complete at year end, the group estimates the costs to complete in order to measure progress and therefore how much revenue to recognise. The actual outcome of these contracts will differ from the estimate at 31 December and it is reasonably possible that outcomes on these contracts within the next year could be materially different in aggregate to those estimated. It is not possible to quantify the expected impact of this, however the estimated costs to complete are management's best estimate at this point in time and no individual estimate or judgement is expected to have a materially different outcome.

At last year end it was noted that most significant judgement in accounting for construction contracts related to revenue recognised on a large long-term public contract where the group was negotiating an adjustment due to scope increase. The amount had not yet been agreed with the customer and the timing of settlement was uncertain. The amount of revenue recognised was less than the amount expected to be recovered and represented an amount where management was confident it was highly probable that a significant reversal of revenue would not occur. The amount has been agreed with the customer during 2019 with no material difference to the revenue recognised.

Determining the lease term of contracts with renewal and termination options

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

Notes to the consolidated financial statements

continued

2 Significant accounting policies continued

Determining the lease term of contracts with renewal and termination options continued

The group includes the renewal period as part of the lease term for some of its leased land and buildings and plant, machinery and equipment, due to the significance of these assets to its operations. The renewal periods for leases of plant and machinery with longer non-cancellable periods (ie 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Carrying value of goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out above. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available market data for transactions conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow (DCF) model. The group estimates the recoverable amount based on value-in-use calculations. The cash flows are derived from the budget and forecasts for the next three years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash in-flows and the growth rates assumed within the calculation.

3 Segmental analysis

The group is managed as three geographical divisions and has only one major product or service: specialist geotechnical engineering services. This is reflected in the group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	2019			2018 ¹	
	Revenue €m	Operating profit IAS 17 basis €m	Operating profit IFRS 16 basis €m	Revenue €m	Operating profit IAS 17 basis €m
North America	1,333.9	77.3	78.6	1,161.4	78.6
Europe, Middle East and Africa	679.6	28.1	28.4	668.2	39.7
Asia-Pacific	287.0	2.8	3.3	394.9	(18.0)
	2,300.5	108.2	110.3	2,224.5	100.3
Central items	–	(6.4)	(6.5)	–	(3.7)
Underlying	2,300.5	101.8	103.8	2,224.5	96.6
Non-underlying items (note 8)	–	(29.7)	(29.7)	–	(71.6)
	2,300.5	72.1	74.1	2,224.5	25.0

Leases – estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing arrangements). The group estimates the IBR using observable market inputs. These include government bond rates for countries where an asset under lease is located and with reference to the term of the lease. Specific estimates are also made to the IBR which reflects the credit risk profile of the group.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The group uses judgement in assessing the recoverability of deferred tax assets, for which the significant assumption is forecast taxable profits.

Provisions

The recognition of provisions for legal disputes is subject to a significant degree of estimation. A provision is made for loss contingencies when it is considered probable that an outflow will occur and the amount of the loss can be reliably estimated. In making its estimates, management takes into account the advice of internal and external legal counsel and actuaries. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts.

2019						
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation ³ and amortisation £m	Tangible and intangible assets £m
North America	766.5	(262.9)	503.6	25.5	46.6	324.5
Europe, Middle East and Africa	382.8	(214.4)	168.4	27.3	32.1	185.4
Asia-Pacific	166.1	(83.0)	83.1	10.1	15.5	74.3
	1,315.4	(560.3)	755.1	62.9	94.2	584.2
Central items ²	109.7	(467.3)	(357.6)	–	0.4	1.1
	1,425.1	(1,027.6)	397.5	62.9	94.6	585.3

2018 ¹						
	Segment assets £m	Segment ⁵ liabilities £m	Capital ⁵ employed £m	Capital additions £m	Depreciation ³ and amortisation £m	Tangible and intangible assets £m
North America	692.8	(215.4)	477.4	25.8	29.1	312.6
Europe, Middle East and Africa	388.0	(229.6)	158.4	37.6	25.3	176.7
Asia-Pacific	211.2	(88.6)	122.6	22.2	16.5	85.7
	1,292.0	(533.6)	758.4	85.6	70.9	575.0
Central items ²	152.8	(484.7)	(331.9)	–	–	0.4
	1,444.8	(1,018.3)	426.5	85.6	70.9	575.4

The group has initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the group recognised £87.3m of right-of-use assets and £88.1m of lease liabilities from those contracts as at 1 January 2019. Depreciation in respect of the right-of-use assets in the year ended 31 December 2019 was £25.6m. These balances are included in the North America, Europe, Middle East and Africa and Asia-Pacific segments as at 31 December 2019.

Revenue analysed by country:

	2019 £m	2018 £m
United States	1,224.2	1,068.0
Australia	160.1	255.5
Germany	128.7	113.3
Canada	109.7	93.4
United Kingdom	66.5	65.4
Other	611.3	628.9
	2,300.5	2,224.5

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated.

2 Central items include net debt and tax balances, which are managed at group.

3 Depreciation and amortisation excludes amortisation of acquired intangible assets.

4 Tangible and intangible assets comprise goodwill, intangible assets and property plant and equipment.

5 Central liabilities and capital employed presented in the note do not agree to the published 2018 consolidate financial statements as a result of re-presenting the comparative balance sheet as outlined in note 33 to the financial statements.

Notes to the consolidated financial statements

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4 Revenue

The group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary geographical market, being the group's operating segments (see note 3) and timing of revenue recognition:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	1,200.1	133.8	1,333.9	1,061.1	100.3	1,161.4
Europe, Middle East and Africa	679.6	–	679.6	668.2	–	668.2
Asia-Pacific	287.0	–	287.0	394.9	–	394.9
	2,166.7	133.8	2,300.5	2,124.2	100.3	2,224.5

The final contract value will not always have been agreed at the year end. The contract value, and therefore revenue allocated to a performance obligation, may change subsequent to the year end as variations and claims are agreed with the customer. The amount of revenue recognised in 2019 from performance obligations satisfied in previous periods is £6.6m (2018: £10.7m).

The group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book. As at 31 December 2019, the total order book is £1,042.6m (2018: £958.1m).

The order book for contracts with a total duration over one year is £219.3m (2018: £185.4m). Revenue on these contracts is expected to be recognised as follows:

	2019 £m	2018 £m
Less than one year	159.8	143.2
One to two years	41.7	42.2
More than two years	17.8	–
	219.3	185.4

The following table provides information about receivables, contract assets and contract liabilities arising from contracts with customers:

	2019 £m	2018 £m
Trade receivables	483.9	451.7
Contract assets	102.1	106.3
Contract liabilities	(42.0)	(41.4)

Retentions are recognised on invoicing of the associated trade receivable. Included in the trade receivables balance is £112.5m (2018: £106.7m) in respect of these retentions. Of this amount, £80.1m (2018: £75.5m) are anticipated to be invoiced in one year with the remaining balance of £32.4m (2018: £31.2m) anticipated to be invoiced in more than one year. All contract assets and liabilities are current.

Substantially all of the opening balance of contract assets has been billed during 2019 and revenue has been recognised against substantially all of the opening contract liability.

5 Acquisitions

2019 acquisitions

There were no material acquisitions by the group during 2019. Acquisition related costs in the year were £0.6m.

2018 acquisitions

On 29 March 2018, the group acquired 100% of the issued share capital of Moretrench America Corporation, a geotechnical contracting company operating predominantly along the East Coast of the US, for cash consideration of £64.7m. The fair value of the intangible assets acquired represented the fair value of customer contracts at the date of acquisition, customer relationships and the trade name. Goodwill arising on acquisitions was attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the operating synergies that arise from the group's strengthened market position. All of the goodwill and intangible assets are expected to be deductible for tax purposes.

	Moretrench		
	Carrying amount £m	Fair value adjustment £m	Fair value £m
Net assets acquired			
Intangible assets	–	9.7	9.7
Property, plant and equipment	22.2	5.0	27.2
Cash and cash equivalents	8.8	–	8.8
Receivables	30.9	–	30.9
Other assets	11.0	–	11.0
Loans and borrowings	(9.1)	–	(9.1)
Deferred tax	0.3	–	0.3
Other liabilities	(23.1)	–	(23.1)
	41.0	14.7	55.7
Goodwill			9.0
Total consideration			64.7
Satisfied by			
Initial cash consideration			67.7
Amount receivable from escrow			(3.0)
			64.7

During 2019 £2.7m was received from escrow.

On 13 June 2018, the group acquired 100% of the issued share capital of Sivenmark Maskintjanst AB, a sheet piling specialist based in Sweden, for cash consideration of £2.1m. The purchase price was a premium of £0.8m to the fair value of the net assets acquired.

For both acquisitions the fair value of the total trade receivables was not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2018, the acquisitions contributed £96.3m to revenue and a net profit of £5.5m. Had the acquisitions taken place on 1 January 2018, total group revenue would have been £2,257.3m and underlying profit for the period would have been £58.9m.

Notes to the consolidated financial statements

continued

6 Operating costs

	Note	2019			2018
		IAS 17 basis ¹ £m	IFRS 16 impact ¹ £m	Statutory basis £m	IAS 17 basis ¹ £m
Raw materials and consumables		699.0	–	699.0	665.3
Staff costs	7	598.2	–	598.2	570.8
Other operating charges		657.6	0.1	657.7	642.6
Amortisation of intangible assets	14	0.6	–	0.6	1.2
Operating lease and short-term rental expense ¹ :					
Land and buildings		17.3	(13.3)	4.0	14.1
Plant, machinery and vehicles		158.3	(14.4)	143.9	165.8
Depreciation:					
Right-of-use assets		–	25.6	25.6	–
Owned property, plant and equipment	15a	68.0	–	68.0	69.1
Property, plant and equipment held under finance leases ¹	15b	0.4	–	0.4	0.6
Underlying operating costs		2,199.4	(2.0)	2,197.4	2,129.5
Non-underlying items	8	28.7	–	28.7	64.2
		2,228.1	(2.0)	2,226.1	2,193.7
Other operating charges include:					
Redundancy and other reorganisation costs		1.9	–	1.9	1.8
Fees payable to the company's auditor for the audit of the company's Annual Report and Accounts		0.5	–	0.5	0.3
Fees payable to the company's auditor for other services:					
The audit of the company's subsidiaries, pursuant to legislation		1.5	–	1.5	1.4
Other assurance services		0.1	–	0.1	–

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

7 Employees

The aggregate staff costs of the group were:

	2019 £m	2018 £m
Wages and salaries	518.1	493.2
Social security costs	66.2	61.7
Other pension costs	13.1	14.5
Share-based payments	0.8	1.4
	598.2	570.8

These costs include Directors' remuneration. The remuneration of the Executive Directors is disclosed in the Directors' remuneration report on pages 72 to 86. Fees payable to Non-executive Directors totalled £0.5m (2018: £0.4m).

The average number of staff, including Directors, employed by the group during the year was:

	2019 Number	2018 Number
North America	4,424	4,134
Europe, Middle East and Africa	4,535	4,451
Asia-Pacific	1,533	1,969
	10,492	10,554

8 Non-underlying items

Non-underlying items include items which are exceptional by their size and/or are non-trading in nature and comprise the following:

	2019 £m	2018 £m
Goodwill impairment	20.2	30.1
Impairment of intangible assets	–	1.2
Exceptional restructuring costs	7.2	30.1
Contingent consideration: additional amounts provided	–	0.4
Acquisition costs	1.3	1.1
Guaranteed Minimum Pension equalisation	–	1.3
Non-underlying items in operating costs	28.7	64.2
Amortisation of acquired intangible assets	4.3	7.9
Exceptional contract dispute	(3.3)	–
Contingent consideration: provision released	–	(0.5)
Non-underlying items in other operating income	(3.3)	(0.5)
Total non-underlying items in operating profit	29.7	71.6
Non-underlying finance costs	–	0.5
Total non-underlying items before taxation	29.7	72.1

The goodwill impairment relates to Canada, due to a downward revision to the medium-term forecast, forward projections did not fully support the carrying value of the goodwill.

In the second half of 2018 the group announced a group-wide restructuring programme that affected the ASEAN and Waterway business units in Asia-Pacific and the Brazil and Franki Africa business units in Europe, Middle East and Africa resulting in a full year restructuring charge of £30.1m, relating to asset write-downs, redundancy costs and other reorganisational charges as well as £30.1m impairment of goodwill and £1.2m impairment of other intangibles assets.

Restructuring costs charged during 2019 are in respect of a second phase of restructuring launched in the year in both Waterway, resulting in the business running down to eventual closure, and in Franki Africa. A restructuring charge of £7.7m was recorded in Waterway. This was offset by a restructuring provision release in ASEAN in the year, resulting in a net restructuring charge in the Asia-Pacific Division of £4.8m. A further restructuring charge of £2.4m has been recorded in Franki Africa relating to redundancy costs and other reorganisational changes.

Acquisition costs in the year relate to professional fees associated with the wind-up of an employee share ownership plan at Moretrench, following acquisition in March 2018. The previous year's acquisition costs relate to the Moretrench acquisition.

In 2018 a cost was recognised in relation to the Guaranteed Minimum Pension equalisation requirement, in respect of the UK defined benefit pension scheme. Further details are set out in note 31.

Amortisation of acquired intangible assets primarily relate to the Moretrench, Austral and Sivenmark acquisitions. The prior period charge also included amortisation in relation to Keller Canada, Bencor and Franki Africa acquired intangibles which were fully amortised or impaired at 31 December 2018.

During the year £3.3m of proceeds were received on final settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014.

9 Finance income

	2019 £m	2018 £m
Bank and other interest receivable	0.6	0.6
Other finance income	0.2	–
	0.8	0.6

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continued

10 Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	11.1	8.9
Interest payable on other loans	3.8	4.2
Net pension interest cost	0.5	0.5
Other finance costs	3.6	3.0
Interest payable on finance leases	–	0.1
Underlying finance costs (IAS 17 basis)	19.0	16.7
Interest on lease liabilities	4.3	–
Underlying finance costs (IFRS 16 basis)	23.3	16.7
Non-underlying finance costs (note 8)	–	0.5
	23.3	17.2

11 Taxation

	2019 £m	2018 £m
Current tax expense		
Current year	25.6	24.1
Prior years	(0.9)	(4.5)
Total current tax	24.7	19.6
Deferred tax expense		
Current year	7.4	3.5
Prior years	(2.2)	(0.9)
Total deferred tax	5.2	2.6
	29.9	22.2

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 19% (2018: 19%) as follows:

	2019			2018		
	Underlying £m	Non- underlying items (note 8) £m	Statutory £m	Underlying £m	Non- underlying items (note 8) £m	Statutory £m
Profit before tax	81.3	(29.7)	51.6	80.5	(72.1)	8.4
UK corporation tax charge/(credit) at 19% (2018: 19%)	15.4	(5.6)	9.8	15.3	(13.7)	1.6
Tax charged at rates other than 19% (2018: 19%)	1.4	(1.8)	(0.4)	4.2	(0.6)	3.6
Tax losses and other deductible temporary differences not recognised	8.5	14.7	23.2	5.0	12.4	17.4
Utilisation of tax losses and other deductible temporary differences previously unrecognised	(2.4)	–	(2.4)	(1.2)	–	(1.2)
Permanent differences	1.3	0.2	1.5	4.6	1.6	6.2
Adjustments to tax charge in respect of previous periods	(3.1)	–	(3.1)	(5.4)	–	(5.4)
Other	1.3	–	1.3	–	–	–
Tax charge/(credit)	22.4	7.5	29.9	22.5	(0.3)	22.2
Effective tax rate	27.6%	(25.3)%	57.9%	28.0%	0.4%	264.3%

As a consequence of the restructuring of the Australian business, the group has reviewed the recoverability of the deferred tax assets previously recognised for Australian tax losses and other temporary deductible differences. On account of the additional risk of non-recovery, the tax charge on non-underlying items includes a valuation allowance of £8.5m made against the full value of the assets previously recognised.

The group is subject to taxation in over forty countries worldwide and the risk of changes in tax legislation and interpretation from tax authorities in the jurisdictions in which it operates. The assessment of uncertain positions is subjective and subject to management's best judgement. Where tax positions are uncertain, provision is made where necessary based on interpretation of legislation, management experience and appropriate professional advice. We do not expect the outcome of these estimates to be materially different from the position taken.

The financing of group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company regime. On 2 April 2019, the European Commission announced that the UK's exemption rules are only partially justified and the UK tax authorities are required to recover tax which may constitute State aid. The group is monitoring developments and has made an application to the EU General Court to overturn the ruling. No provision has been made for any additional tax that might become payable due to the significant uncertainty involved in quantifying any amounts that might eventually be payable. The cumulative benefits recognised from the Controlled Foreign Company finance exemption are approximately £4.0m.

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other employee related liabilities £m	Bad debts £m	Other temporary differences £m	Total £m
At 1 January 2018	(27.8)	37.2	(3.1)	(10.4)	(2.6)	12.9	6.2
Charge/(credit) to the income statement	2.0	1.4	(0.2)	2.6	(1.3)	(1.9)	2.6
Charge to other comprehensive income	–	–	0.1	–	–	–	0.1
Acquired with subsidiary	–	–	–	(0.1)	(0.2)	–	(0.3)
Exchange differences	0.5	1.8	–	(0.3)	(0.2)	0.6	2.4
Other reallocations/transfers	6.8	–	–	–	–	(6.8)	–
At 31 December 2018 and 1 January 2019	(18.5)	40.4	(3.2)	(8.2)	(4.3)	4.8	11.0
Reclassify 2018 current tax assets	–	–	–	–	–	(1.4)	(1.4)
At 31 December 2018 and 1 January 2019 restated	(18.5)	40.4	(3.2)	(8.2)	(4.3)	3.4	9.6
Charge/(credit) to the income statement	3.5	(2.7)	0.3	0.4	(0.6)	4.3	5.2
Credit to other comprehensive income	–	–	(0.6)	–	–	–	(0.6)
Exchange differences	0.4	(1.6)	0.1	0.3	0.2	(0.8)	(1.4)
Other reallocations/transfers	–	(0.3)	0.8	1.6	–	(2.1)	–
At 31 December 2019	(14.6)	35.8	(2.6)	(5.9)	(4.7)	4.8	12.8

Deferred tax assets include amounts of £13.3m (2018: £24.3m) where recovery is based on forecasts of future taxable profits that are expected to be available to offset the reversal of the associated temporary differences. The deferred tax assets arise predominantly in Canada (£5.7m), UK (£2.9m), France (£1.9m) and Australia (£1.9m). Canadian tax rules currently allow tax losses to be carried forward up to twenty years, and UK, French and Australian tax rules currently allow tax losses to be carried forward indefinitely. We have assessed the recovery of deferred tax assets by reviewing the likely timing and level of future taxable profits.

The following is the analysis of the deferred tax balances:

	2019 £m	2018 £m
Deferred tax liabilities	26.1	37.9
Deferred tax assets	(13.3)	(26.9)
	12.8	11.0

At the balance sheet date, the group had unused tax losses of £142.3m (2018: £115.2m), mainly arising in Canada, Australia, Malaysia and the UK, available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £78.2m (2018: £53.5m) may be carried forward indefinitely.

At the balance sheet date the aggregate of other deductible temporary differences for which no deferred tax asset has been recognised was £29.7m (2018: £2.3m).

Notes to the consolidated financial statements

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11 Taxation continued

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £58.4m (2018: £54.5m). The unprovided deferred tax liability in respect of these timing differences is £2.0m (2018: £2.0m).

12 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2019 £m	2018 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 23.9p (2017: 24.5p) per share	17.2	17.6
Interim dividend for the year ended 31 December 2019 of 12.6p (2018: 12.0p) per share	9.1	8.7
	26.3	26.3

The Board has recommended a final dividend for the year ended 31 December 2019 of £19.7m, representing 27.4p (2018: 23.9p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 21 May 2020 and has not been included as a liability in these financial statements.

13 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

When the group makes a profit, diluted earnings per share equals the profit attributable to equity holders of the parent divided by the weighted average diluted number of shares. When the group makes a loss, diluted earnings per share equals the loss attributable to the equity holders of the parent divided by the basic average number of shares. This ensures that earnings per share on losses is shown in full and not diluted by unexercised share awards.

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent			Earnings attributable to the equity holders of the parent	
	2019 IAS 17 basis	2019 IFRS 16 basis	2018 IAS 17 basis	2019 IFRS 16 basis	2018 IAS 17 basis
Basic and diluted earnings (£m)	60.2	58.6	57.0	21.4	(14.8)
Weighted average number of ordinary shares (m)¹					
Basic number of ordinary shares outstanding	72.1	72.1	72.0	72.1	72.0
Effect of dilution from:					
Share options and awards	–	–	0.1	–	0.1
Diluted number of ordinary shares outstanding	72.1	72.1	72.1	72.1	72.1
Earnings per share					
Basic earnings/(loss) per share (p)	83.5	81.3	79.2	29.7	(20.6)
Diluted earnings/(loss) per share (p)	83.5	81.3	79.1	29.7	(20.6)

1 The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

14 Goodwill and intangible assets

	Goodwill €m	Arising on acquisition €m	Other €m	Total €m
Cost				
At 1 January 2018	222.5	50.9	22.4	295.8
Additions	–	–	0.5	0.5
Acquired with subsidiaries	9.8	10.4	–	20.2
Exchange differences	2.7	(1.2)	0.9	2.4
At 31 December 2018 and 1 January 2019	235.0	60.1	23.8	318.9
Additions	–	–	0.7	0.7
Exchange differences	(6.4)	(1.1)	(1.1)	(8.6)
At 31 December 2019	228.6	59.0	23.4	311.0
Accumulated amortisation and impairment				
At 1 January 2018	63.5	40.8	20.6	124.9
Impairment charge for the year	30.1	1.2	–	31.3
Amortisation charge for the year	–	7.9	1.2	9.1
Exchange differences	0.5	(1.1)	0.8	0.2
At 31 December 2018 and 1 January 2019	94.1	48.8	22.6	165.5
Impairment charge for the year	20.2	–	–	20.2
Amortisation charge for the year	–	4.3	0.6	4.9
Exchange differences	(2.5)	(0.7)	(1.1)	(4.3)
At 31 December 2019	111.8	52.4	22.1	186.3
Carrying amount				
At 1 January 2018	159.0	10.1	1.8	170.9
At 31 December 2018 and 1 January 2019	140.9	11.3	1.2	153.4
At 31 December 2019	116.8	6.6	1.3	124.7

Intangible assets arising on acquisition represent customer relationships, customer contracts at the date of acquisition, patents and trade names. Other intangibles represents internally developed software.

In 2019, for impairment testing purposes goodwill has been allocated to nine separate CGUs. The carrying amount of goodwill allocated to the five CGUs with the largest goodwill balances is significant in comparison to the total carrying amount of goodwill and comprises 94% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value-in-use calculations:

CGU	Geographical segment	2019			2018		
		Carrying value €m	Pre-tax discount rate %	Forecast growth rate %	Carrying value €m	Pre-tax discount rate %	Forecast growth rate %
Keller US	North America	44.7	13.6	2.0	47.9	11.4	2.0
Suncoast	North America	32.3	13.7	2.0	33.9	10.8	2.0
Keller Canada	North America	13.0	14.6	2.0	32.6	11.4	2.0
Keller Limited	Europe, Middle East and Africa	12.1	12.2	3.0	12.1	9.9	2.0
Austral	Asia-Pacific	7.2	13.1	3.0	7.5	12.8	2.0
Other	Various	7.5	various	various	6.9	various	various
		116.8			140.9		

Keller US is presented as a new CGU, reflecting the combination of the previously individual CGUs that now comprise 'Keller' following the North American reorganisation. As the business is now operated as one unit from 1 January 2020, all projections are based on the combined businesses. As a consequence of this reorganisation, the goodwill from the previously defined CGUs has been combined.

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14 Goodwill and intangible assets continued

The recoverable amount of the goodwill allocated to each CGU has been calculated on a value-in-use basis. The calculations all use cash flow projections based on financial budgets and forecasts approved by management and cover a three-year period.

The group's businesses operate in cyclical markets, some of which are expected to continue to face uncertain conditions in future years. The most important factors in the value-in-use calculations are the forecast revenues and operating margins during the forecast period and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are revenue and operating margins assumed throughout the forecast period. The discount rates used in the value-in-use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs, adjusted as necessary to reflect the risk associated with the asset being tested.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. Cash flows beyond 2022 have been extrapolated using the forecast growth rates above and do not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

The goodwill in the Keller Canada CGU was impaired during 2019 by £20.2m. For the remaining CGUs management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs are based would not cause any of their carrying amounts to exceed their recoverable amounts. A number of sensitivities were run on the projections to identify the changes required in the key assumptions that would give rise to an impairment. These are:

CGU	Geographical segment	Increase in discount rate %	Reduction in future growth rate %	Reduction in final year cash flow %
Keller US	North America	19.7	28.7	80.9
Suncoast	North America	72.6	198.7	105.3
Keller Limited	Europe, Middle East and Africa	2.5	2.2	13.8
Austral	Asia-Pacific	4.1	4.1	32.0

15 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	Note	2019 £m	2018 £m
Property, plant and equipment – owned	15a	386.6	422.0
Right-of-use assets – leased ¹	15b	74.0	–
At 31 December 2019		460.6	422.0

¹ The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated.

15 a) Property, plant; and equipment – owned assets

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 1 January 2018	58.2	857.9	9.5	925.6
Additions	3.5	78.0	3.6	85.1
Disposals	(2.6)	(24.3)	(0.1)	(27.0)
Transfers to held for sale	–	(30.7)	–	(30.7)
Acquired with subsidiaries	10.6	17.6	–	28.2
Reclassification	–	3.2	(3.2)	–
Exchange differences	2.0	18.0	–	20.0
At 31 December 2018 and 1 January 2019	71.7	919.7	9.8	1,001.2
Additions	3.1	56.9	2.2	62.2
Disposals	(0.7)	(58.0)	–	(58.7)
Reclassification	–	2.1	(2.1)	–
Exchange differences	(3.4)	(38.4)	(0.3)	(42.1)
At 31 December 2019	70.7	882.3	9.6	962.6
Accumulated depreciation				
At 1 January 2018	17.5	508.9	–	526.4
Charge for the year	2.7	67.0	–	69.7
Disposals	(0.4)	(19.8)	–	(20.2)
Transfers to held for sale	–	(25.5)	–	(25.5)
Impairments	–	16.2	–	16.2
Exchange differences	0.6	12.0	–	12.6
At 31 December 2018 and 1 January 2019	20.4	558.8	–	579.2
Charge for the year	1.9	66.5	–	68.4
Disposals	(0.6)	(45.0)	–	(45.6)
Exchange differences	(0.8)	(25.2)	–	(26.0)
At 31 December 2019	20.9	555.1	–	576.0
Carrying amount				
At January 2018	40.7	349.0	9.5	399.2
At 31 December 2018 and 1 January 2019	51.3	360.9	9.8	422.0
At 31 December 2019	49.8	327.2	9.6	386.6

The group had contractual commitments for the acquisition of property, plant and equipment of £5.0m (2018: £1.9m) at the balance sheet date. These amounts were not included in the balance sheet at the year end. The carrying amount of plant, machinery and vehicles held under finance leases was £1.7m (2018: £2.1m).

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15 Property, plant and equipment continued

15 b) Right-of-use assets – leased assets

The group has lease contracts for various items of land and buildings, plant, machinery and vehicles used in its operations. Leases of land and buildings generally have lease terms between five and fifteen years, while plant, machinery and vehicles generally have lease terms between three and eight years. The group's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the group is restricted from assigning and subleasing its leased assets. There are several lease contracts that include extension and termination options.

The group has certain leases of machinery with lease terms of twelve months or less and leases of office equipment with low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year:

	Land and buildings €m	Plant, machinery and vehicles €m	Total €m
At 1 January 2019	63.1	24.2	87.3
Additions	6.1	16.8	22.9
Depreciation expense	(13.7)	(11.9)	(25.6)
Disposals and contract modifications	(5.8)	(1.3)	(7.1)
Foreign exchange movements	(2.3)	(1.2)	(3.5)
At 31 December 2019	47.4	26.6	74.0

16 Investments in joint ventures

	€m
At 1 January 2019	4.6
Share of post-tax results	0.7
Dividends received	(1.1)
Exchange differences	(0.4)
At 31 December 2019	3.8

	€m
At 1 January 2018	3.7
Share of post-tax results	1.6
Dividends received	(0.9)
Exchange differences	0.2
At 31 December 2018	4.6

The group's investment in joint ventures relates to a 50% interest in KFS Finland Oy, an entity incorporated in Finland.

Aggregate amounts relating to joint ventures:

	2019 £m	2018 £m
Revenue	16.7	18.1
Operating costs	(15.9)	(15.9)
Operating profit	0.8	2.2
Finance costs	–	(0.1)
Profit before taxation	0.8	2.1
Taxation	(0.1)	(0.5)
Share of post-tax results	0.7	1.6

	2019 £m	2018 £m
Non-current assets	4.2	4.3
Current assets	4.1	2.6
Current liabilities	(2.9)	(2.0)
Non-current liabilities	(1.6)	(0.3)
Share of net assets	3.8	4.6

17 Other non-current assets

	2019 £m	2018 £m
Fair value of derivative financial instruments	3.4	0.4
Other assets	18.9	21.1
	22.3	21.5

Other assets includes £17.1m (2018: £17.6m) of assets held at fair value in connection with a non-qualifying deferred compensation plan (NQ) available to US employees, whereby an element of senior management bonuses are deferred over a period of four years. Participants select deemed investment funds which are substantially offset by mutual funds held on trust by the company. During the year proceeds from the sale of other non-current assets were £4.6m (2018: £3.5m); this includes £3.2m from the sale of NQ related investments.

18 Inventories

	2019 £m	2018 £m
Raw materials and consumables	53.0	57.3
Work in progress	0.7	0.8
Finished goods	16.9	22.2
	70.6	80.3

During 2019, £2.1m, (2018: £1.2m) of inventory write-downs were recognised as an expense.

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19 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	483.9	451.7
Contract assets	102.1	106.3
Other receivables	26.6	29.3
Prepayments	14.1	18.4
Assets held for sale	–	5.2
	626.7	610.9

Trade receivables are shown net of an allowance for expected credit losses.

The movement in the provision for bad and doubtful debts (including expected credit losses) is as follows:

	2019 £m	2018 £m
At 1 January	44.5	35.6
Used during the year	(8.6)	(8.2)
Additional provisions	17.4	23.2
Unused amounts reversed	(13.3)	(7.8)
Acquired with subsidiary	–	0.6
Exchange differences	(1.9)	1.1
At 31 December	38.1	44.5

Set out below is information about the credit risk exposure on the group's trade receivables, detailing past due but not impaired:

	2019 £m	2018 £m
Overdue by less than 30 days	91.7	84.5
Overdue by between 31 and 90 days	45.2	39.9
Overdue by more than 90 days	43.7	46.1
	180.6	170.5

20 Cash and cash equivalents

	2019 £m	2018 £m
Bank balances	95.0	106.4
Short-term deposits	3.9	4.1
Cash and cash equivalents in the balance sheet	98.9	110.5
Bank overdrafts	(11.4)	(6.8)
Cash and cash equivalents in the cash flow statement	87.5	103.7

21 Trade and other payables

	2019 £m	2018' £m
Trade payables	291.5	262.8
Other taxes and social security payable	15.8	12.6
Other payables	92.6	106.4
Contract liabilities	42.0	41.4
Accruals	44.9	42.5
Fair value of derivative financial instruments	–	0.1
	486.8	465.8

1 Other payables presented in the note do not agree to the published 2018 consolidated financial statements as a result of re-presenting the comparative balance sheet in respect of the reclassification of insurance provisions as outlined in note 33 to the financial statements.

Other payables include contract related payables of £39.7m (2018: £45.5m).

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Contract provisions £m	Other provisions £m	Total £m
At 31 December 2018¹	12.4	4.2	18.8	17.4	52.8
Charge for the year	5.0	2.2	3.9	8.4	19.5
Used during the year	(3.2)	(1.6)	(1.4)	(1.7)	(7.9)
Unused amounts reversed	(1.4)	(1.3)	(2.8)	(0.2)	(5.7)
Unwinding of discount and changes in discount rate	–	–	0.1	–	0.1
Exchange differences	(0.7)	(0.1)	–	(0.3)	(1.1)
At 31 December 2019	12.1	3.4	18.6	23.6	57.7
To be settled within one year	2.7	3.4	0.2	11.4	17.7
To be settled after one year	9.4	–	18.4	12.2	40.0
At 31 December 2019	12.1	3.4	18.6	23.6	57.7

1 Provisions presented in the note do not agree to the published 2018 consolidated financial statements as a result of re-presenting the comparative balance sheet in respect of contract liabilities in the group's captive arrangement and the reclassification of insurance provisions as outlined in note 33 to the financial statements.

Employee provisions

Employee provisions include long service obligations to employees and a workers' compensation scheme in North America.

Restructuring provisions

Restructuring provisions include redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions as detailed further in note 8.

Contract provisions

Contract provisions reflect contractual claims against the group that are retained within the group's captive insurer. Claims provisions are based on assumptions regarding past claims experience and on assessments by an independent actuary and are intended to provide a best estimate of the most likely or expected outcome.

Other provisions

Other provisions are in respect of legal, dilapidation and other disputes.

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23 Other non-current liabilities

	2019 £m	2018 £m
Fair value of derivative financial instruments	–	0.3
Other liabilities	19.5	18.3
	19.5	18.6

Other liabilities include contingent consideration of £2.4m (2018: £2.4m) and £16.4m (2018: £15.9m) payable to US employees under a non-qualifying deferred compensation plan whereby an element of senior management bonuses are deferred over a period of four years. Participants select deemed investment funds which are substantially offset by mutual funds held on trust by the company.

24 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the group's business and have been identified as risks for the group. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange and interest rates.

The group does not trade in financial instruments nor does it engage in speculative derivative transactions.

Currency risk

The group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the group's borrowings are held in sterling, US dollars, Canadian dollars, euros, Australian dollars, Singapore dollars, Emirati dirham and South African rand.

The group manages its currency flows to minimise transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the group relate to repatriation of profits, intra-group loan repayments and any foreign currency cash flows associated with acquisitions. The group's treasury risk management is performed at the group's head office.

As at 31 December 2019, the fair value of foreign exchange forward contracts outstanding was nil (2018: £0.1m) and included in current liabilities.

Interest rate risk

Interest rate risk is managed by a mix of fixed and floating rate borrowings dependent upon the purpose and term of the financing.

As at 31 December 2019, approximately 97% of the group's third party borrowings were at floating interest rates.

Hedging currency risk and interest rate risk

The group hedges currency risk and interest rate risk. Where hedging instruments are used to hedge significant individual transactions, the group ensures that the critical terms, including dates, currencies, nominal amounts, interest rates and lengths of interest periods are matched. The group uses both qualitative and quantitative methods to confirm this and to assess the effectiveness of the hedge.

For currency hedging, the main source of hedge ineffectiveness is the relative movement of the forward points of the different currencies.

For interest rate hedging, the main sources of hedge ineffectiveness include changes in the LIBOR rate and the movement in discount factors.

Credit risk

The group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain group exposures. These represent the group's maximum exposure to credit risk in relation to financial assets.

The group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings.

Customer credit risk is mitigated by the group's relatively small average contract size, its diversity, both geographically and in terms of end markets. No individual customer represented more than 2% of revenue in 2019. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 19.

The group evaluates each new customer and assesses their creditworthiness before any contract is undertaken.

The group reviews customer receivables on an ageing basis and provides against expected unrecoverable amounts. Experience has shown the level of historical provision required to be relatively low. Credit loss provisioning reflects past experience, economic factors and specific conditions.

The group's estimated exposure to credit risk for trade receivables and contract assets is disclosed in note 19. This amount is the accumulation of several years of provisions for known or expected credit losses.

Consideration of future events is generally taken into account when deciding when and how much to provide for of the group's trade receivables and contract assets. The group's bad debts typically arise due to invoices being unpaid for commercial reasons rather than credit default. The percentage of receivables on which credit losses are incurred, or expected to be incurred, is immaterial.

Liquidity risk and capital management

The group's capital structure is kept under constant review, taking account of the need for availability and cost of various sources of funding. The capital structure of the group consists of net debt and equity as shown in the consolidated balance sheet. The group maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the group's operations.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group's debt and committed facilities mainly comprise a \$50m private placement repayable in 2021, a \$75m private placement repayable in 2024, and a £375m syndicated revolving credit facility expiring in 2024 (with an option to extend the facility by a further year by mutual consent). These facilities are subject to certain covenants linked to the group's financing structure, specifically regarding the ratios of net debt and interest to profit. The group has complied with these covenants throughout the year.

At the year end, the group also had other borrowing facilities available of £87.8m (2018: £105.3m).

Private placements

In October and December 2014, \$50m and \$75m respectively were raised through a private placement with US institutions. The proceeds of the issue of \$50m Series A notes 3.81% due 2021 and \$75m Series B notes 4.17% due 2024 were used to refinance maturing private placements.

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and are retranslated at the exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2019 was £97.2m (2018: £98.2m).

Hedging

The 2014 \$50m and \$75m fixed rate private placement liabilities were swapped into floating rate by means of US dollar interest rate swaps (the '2014 swaps'). The 2014 swaps have the same maturity as the private placement liabilities and have been designated as fair value hedges. The objective being, to protect against the group's exposure to changes in the fair value of the US private placement debt and related interest cash flows due to changes in US dollar interest rates.

The fair value of the 2014 swaps at 31 December 2019 was £3.4m (2018: £0.4m) and is included in other non-current assets. There was no derivative liability included in non-current liabilities in 2019 (2018: £0.3m). The effective portion of the changes in the fair value of the 2014 swaps gave rise to a gain of £3.3m (2018: loss of £1.7m), which has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

All hedges are tested for effectiveness every six months. All hedging relationships remained effective during the year.

Accounting classifications

	2019 £m	2018 £m
Financial assets measured at fair value through profit or loss		
– Non-qualifying deferred compensation plan	17.1	17.6
– Interest rate swaps	3.4	0.4
Financial assets measured at amortised cost		
– Trade receivables	483.9	451.7
– Contract assets	102.1	106.3
– Cash and cash equivalents	98.9	110.5
Financial liabilities at fair value through profit or loss		
– Interest rate swaps	–	(0.3)
– Forward exchange contracts	–	(0.1)
– Loans and borrowings	(97.2)	(100.3)
Financial liabilities measured at amortised cost		
– Trade payables	(291.5)	(262.8)
– Contract liabilities	(42.0)	(41.4)
– Loans and borrowings	(214.8)	(296.4)
– Lease liabilities ¹ (note 25)	(76.7)	–

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

Notes to the consolidated financial statements

continued

24 Financial instruments continued

Effective interest rates and maturity analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

	2019						
	Effective interest rate %	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	3.2	–	–	–	–	(11.4)	(11.4)
Bank loans ¹	3.1	–	(192.3)	(2.5)	(194.8)	(2.9)	(197.7)
Other loans ¹	3.5	(38.1)	(62.8)	–	(100.9)	(0.3)	(101.2)
Obligations under finance leases ¹	4.1	(0.1)	(0.9)	–	(1.0)	(0.7)	(1.7)
Lease liabilities ²	5.2	(14.2)	(25.7)	(11.1)	(51.0)	(25.7)	(76.7)
Total loans and borrowings		(52.4)	(281.7)	(13.6)	(347.7)	(41.0)	(388.7)
Bank balances ¹	1.2	–	–	–	–	95.0	95.0
Short-term deposits ¹	7.0	–	–	–	–	3.9	3.9
Net debt		(52.4)	(281.7)	(13.6)	(347.7)	57.9	(289.8)

	2018 ²						
	Effective interest rate %	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	5.2	–	–	–	–	(6.8)	(6.8)
Bank loans ¹	3.0	–	(248.4)	(3.1)	(251.5)	(34.3)	(285.8)
Other loans ¹	3.4	(0.8)	(41.3)	(59.4)	(101.5)	(0.5)	(102.0)
Obligations under finance leases ¹	7.4	(0.7)	(0.2)	–	(0.9)	(1.2)	(2.1)
Total loans and borrowings		(1.5)	(289.9)	(62.5)	(353.9)	(42.8)	(396.7)
Bank balances ¹	0.9	–	–	–	–	106.4	106.4
Short-term deposits ¹	6.0	–	–	–	–	4.1	4.1
Net debt		(1.5)	(289.9)	(62.5)	(353.9)	67.7	(286.2)

1 These include assets and liabilities bearing interest at a fixed interest rate.

2 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

Loans and borrowings consist of the following:

	2019 £m	2018 £m
\$75m private placement (due December 2024)	59.3	59.4
\$50m private placement (due October 2021)	37.9	38.8
£375m syndicated revolving credit facility ¹ (expiring November 2024)	192.0	248.0
€35m term facility (repaid February 2019)	–	31.5
Bank overdrafts	11.4	6.8
Obligations under finance leases	1.7	2.1
Lease liabilities ² (note 25)	76.7	–
Other loans and borrowings	9.7	10.1
Total loans and borrowings	388.7	396.7

1 With an option to extend the facility by a further one year with mutual consent.

2 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2019 amounted to £205.0m (2018: £148.8m). This mainly comprised the unutilised portion of the group's £375m revolving credit facility which expires on 23 November 2024 (with an option to extend the facility by one further year by mutual consent). In addition, the group had undrawn uncommitted borrowing facilities totalling £42.0m at 31 December 2019 (2018: £64.8m). Uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time. Facilities totalling £4.6m (2018: £5.6m), including finance leases, are secured against certain assets. Future obligations under finance leases totalled £1.7m (2018: £2.3m), including interest of nil (2018: £0.2m).

Changes in loans and borrowings were as follows:

	2018 £m	IFRS 16 £m	Cash flows £m	Other ² £m	Newleases £m	Foreign exchange movements £m	Fair value changes £m	2019 £m
Bank overdrafts	(6.8)	–	(4.8)	–	–	0.2	–	(11.4)
Bank loans	(285.8)	–	82.3	–	–	5.8	–	(197.7)
Other loans	(102.0)	–	(0.7)	–	–	4.8	(3.3)	(101.2)
Obligations under finance leases	(2.1)	–	0.3	–	–	0.1	–	(1.7)
Lease liabilities ¹ (note 25)	–	(88.1)	23.6	7.1	(22.9)	3.6	–	(76.7)
Total loans and borrowings	(396.7)	(88.1)	100.7	7.1	(22.9)	14.5	(3.3)	(388.7)
Derivative financial instruments	–	–	0.1	–	–	–	3.3	3.4

1 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. As such, comparative information has not been restated.

2 Other comprise lease disposals and contract modifications.

Cash flow hedges

At 31 December 2019, the group held no instruments to hedge exposures to changes in foreign currency rates. At 2018, the group had the following instruments:

	2018							Nominal amount ² \$m
	Maturity			Carrying amount		Change in fair value used for calculating hedge ineffectiveness £m		
	< 1 year £m	1-2 years £m	2-5 years £m	Asset £m	Liability ¹ £m			
Forward exchange contracts	(0.1)	–	–	–	(0.1)	–	15.0	

1 Included within trade and other payables.

2 The average GBP/USD forward contract exchange rate is 1.28.

Notes to the consolidated financial statements

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24 Financial instruments continued

The group had the following hedged items and hedge ineffectiveness relating to cash flow hedges in 2018:

	2018					
	Cash flow hedge transfers to income statement £m	Gains in other comprehensive income £m	Cash flow hedge reserve balance £m	Foreign currency translation reserve £m	Change in value used for calculating hedge ineffectiveness £m	Hedge ineffectiveness in profit or loss £m
Foreign currency loans	0.6	(0.6)	–	–	–	–
\$40m private placement	0.4	(0.4)	–	–	–	–

Fair value hedges

The group held the following instruments to hedge exposures to changes in interest rates:

	2019							Nominal amount ² \$m
	Maturity				Carrying amount		Change in fair value used for calculating hedge ineffectiveness £m	
	< 1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Asset ¹ £m	Liability £m		
Interest rate swaps	–	0.5	2.9	–	3.4	–	–	19.4

1 Included within other assets.

2 The average fixed interest rate is 4.0%.

	2018							Nominal amount ² \$m
	Maturity				Carrying amount		Change in fair value used for calculating hedge ineffectiveness £m	
	< 1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Asset ¹ £m	Liability ² £m		
Interest rate swaps	–	–	(0.3)	0.4	0.4	(0.3)	0.1	24.5

1 Included within other assets.

2 Included within trade and other payments.

3 The average fixed interest rate is 4.0%.

The group had the following hedged items relating to the above instruments:

	2019			2018		
	Carrying amount liability ¹ £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge ineffectiveness in profit or loss ² £m	Carrying amount liability ¹ £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge ineffectiveness in profit or loss ² £m
\$125m private placements	(97.3)	–	–	(98.5)	(0.1)	–
Fair value hedge adjustments	3.3	–	–	1.7	n/a	–

1 Included within loans and borrowings.

2 Included in operating profit for the year.

Non-interest-bearing financial liabilities comprise trade payables and contract liabilities of £333.5m (2018: £304.2m) which were payable within one year.

Fair values

The fair values of the group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments, being derivatives, interest-bearing loans and borrowings, contingent consideration and payables, receivables and construction assets.

Derivatives

The fair value of interest rate and cross-currency swaps are calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. The valuation methods of all of the group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

Interest-bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows discounted using appropriate discount rates prevailing at the balance sheet date.

Contingent consideration

Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using appropriate discount rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

The valuation methods of all of the group's contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information including subjective assumptions.

There are no individually significant unobservable inputs used in the fair value measurement of the group's contingent consideration as at 31 December 2019. The remaining balance at 31 December 2019 depends on the forecast outcome of one project.

The following table shows a reconciliation from the opening to closing balances for contingent consideration:

	2019 £m	2018 £m
At 1 January	2.8	9.3
Provision released (note 8)	–	(0.5)
Additional amounts provided (note 8)	–	0.4
Paid during the year	(0.3)	(6.3)
Exchange differences ¹	(0.1)	(0.1)
At 31 December	2.4	2.8

¹ Included in other comprehensive income.

In 2019, the contingent consideration in respect of acquisitions is payable between one and two years. In 2018, £2.4m was payable between one and two years and £0.4m within one year.

The fair value measurement of the contingent consideration could be affected if the forecast financial performance is different to that estimated. A better than estimated performance may increase the value of the contingent consideration payable.

Payables, receivables and contract assets

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted using appropriate discount rates.

Notes to the consolidated financial statements

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24 Financial instruments continued

Interest rate and currency profile

The profile of the group's financial assets and financial liabilities after taking account of the impact of hedging instruments was as follows:

	2019					
	Sterling	USD	Euro	CAD	Other ¹	Total
Weighted average fixed debt interest rate (%)	–	2.4	1.3	4.9	11.0	–
Weighted average fixed debt period (years)	–	0.8	5.5	3.4	2.0	–
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	(0.6)	(3.3)	(0.9)	(3.7)	(8.5)
Floating rate financial liabilities	(37.0)	(120.5)	(15.0)	(48.3)	(82.7)	(303.5)
Lease liabilities	(2.3)	(48.9)	(10.9)	(4.6)	(10.0)	(76.7)
Financial assets	0.8	35.7	10.4	2.4	49.6	98.9
Net debt	(38.5)	(134.3)	(18.8)	(51.4)	(46.8)	(289.8)
	2018					
	Sterling	USD	Euro	CAD	Other ¹	Total
Weighted average fixed debt interest rate (%)	–	–	0.5	–	11.3	–
Weighted average fixed debt period (years)	–	–	0.8	–	2.1	–
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	–	(36.0)	–	(4.5)	(40.5)
Floating rate financial liabilities	(51.4)	(170.5)	(3.5)	(30.5)	(100.3)	(356.2)
Financial assets	9.9	34.4	24.7	6.1	35.4	110.5
Net debt	(41.5)	(136.1)	(14.8)	(24.4)	(69.4)	(286.2)

¹ Included within other floating rate financial liabilities are AUD revolver loans of £35.5m (2018: £39.2m), ZAR revolver loans of £11.0m (2018: £6.6m), SGD revolver loans of £9.6m (2018: £29.5m) and AED revolver loans of £13.7m (2018: £14.3m). Included within other financial assets are AUD cash balances of £10.8m (2018: £5.9m), ZAR cash balances of £2.3m (2018: £5.0m) and SGD cash balances of £1.7m (2018: £2.9m).

Sensitivity analysis

At 31 December 2019, it is estimated that a general movement of one percentage point in interest rates would increase or decrease the group's profit before taxation by approximately £2.1m.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the group's profit before taxation and non-underlying items by approximately £10.4m (2018: £8.5m) for the year ended 31 December 2019, with the estimated impact of a ten percentage points decrease in the value of sterling being an increase of £12.7m (2018: £8.8m) in the group's profit before taxation and non-underlying items. This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the group's earnings of currency transaction exchange risk is not significant. These sensitivities assume all other factors remain constant.

25 Lease liabilities

Set out below are the carrying amounts of lease liabilities (included within note 24 within loans and borrowings) and the movements during the year:

	2019 £m
At 1 January 2019	88.1
Additions	22.9
Disposals and contract modifications	(7.1)
Interest expense	4.3
Payments	(27.9)
Foreign exchange movements	(3.6)
At 31 December 2019	76.7
Current	25.7
Non-current	51.0

The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated.

26 Share capital and reserves

	2019 £m	2018 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2018: 73,099,735)	7.3	7.3

The company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

The capital redemption reserve is a non-distributable reserve created when the company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The other reserve is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

As at 31 December 2019 the total number of shares held in treasury was 1,029,451 (2018: 1,039,855).

27 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation. Other related party transactions are disclosed below:

Compensation of key management personnel

The remuneration of the Board and Executive Committee, who are the key management personnel, comprised:

	2019 £m	2018 £m
Short-term employee benefits	5.4	5.1
Post-employment benefits	0.4	0.4
Termination payments	0.2	1.4
	6.0	6.9

Other related party transactions

As at the year end there was a net balance of £0.2m owed to (2018: £1.1m owed by) the joint venture. These amounts are unsecured, have no fixed date of repayment and are repayable on demand. There were no sales by the group to joint ventures during the year (2018: none).

During the year two members of management acquired the right to purchase the Cyntech Anchors business at a fixed price over the next five years at their option.

Notes to the consolidated financial statements

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28 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £5.0m (2018: £1.9m) and relates to property, plant and equipment purchases.

29 Contingent liabilities

Claims against the group arise in the normal course of trading. Some of these claims involve or may involve litigation and, in a few instances, the total amounts claimed against the group may be significant in relation to the size of the related contract. However, the amounts agreed, if any, are generally less than the total amount claimed, in many cases significantly so, and are predominantly covered by the group's insurance arrangements.

The company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other group companies. At 31 December 2019, the group had outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalling £28.8m (2018: £31.2m).

The company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 and exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006.

30 Share-based payments

The group operates a Long-Term Incentive Plan ('Plan').

Details of the terms and conditions of the Plan are set out in the audited section of the Directors' remuneration report on pages 72 to 86.

Outstanding awards are as follows:

	Number
Outstanding at 31 December 2017 and 1 January 2018	1,348,034
Granted during 2018	668,297
Lapsed during 2018	(278,751)
Exercised during 2018	(97,863)
Outstanding at 31 December 2018	1,639,717
Granted during 2019	1,078,438
Lapsed during 2019	(617,474)
Exercised during 2019	(10,404)
Outstanding at 31 December 2019	2,090,277
Exercisable at 1 January 2018	–
Exercisable at 31 December 2018 and 1 January 2019	–
Exercisable at 31 December 2019	–

The average share price during the year was 615.9p (2018: 920p).

Under IFRS 2, the fair value of services received in return for share awards granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share awards granted is measured based on a stochastic model. The contractual life of the award is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:

	2019	2018
Share price at grant	625p	1,036p
Weighted average exercise price	0.0p	0.0p
Expected volatility	30.8%	30.0%
Expected life	3 years	3 years
Risk-free rate	0.84%	0.68%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years, adjusted for any expected changes to future volatility due to publicly available information.

The group recognised total expenses (included in operating costs) of £0.8m (2018: £1.4m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 582.2p (2018: 939.7p).

31 Retirement benefit liabilities

The group operates pension schemes in the UK and overseas.

In the UK, the group operates the Keller Group Pension Scheme (the 'Scheme'), a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the Scheme, employees are normally entitled to retirement benefits on attainment of a retirement age of 65. The Scheme is subject to UK pensions legislation which, inter alia, provides for the regulation of work-based pension schemes by The Pensions Regulator. The trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator. The Scheme trustees currently comprise one member-nominated trustee and two employer-nominated trustees. An employer-nominated trustee is also the Chair of the trustees. The Scheme exposes the group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed through the investment strategy to acceptable levels established by the trustees. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. With effect from the most recent actuarial valuation date (5 April 2017), the group has agreed to pay annual contributions of £2.4m, to increase by 3.6% per annum, until 5 January 2024, subject to a review of the level of employer contributions at the next actuarial review in 2020.

Between 1990 and 1997, the Scheme members accrued a Guaranteed Minimum Pension (GMP). This amount differed between men and women in accordance with the rules which were applicable at that time. On 26 October 2018, there was a court judgement (in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC) that confirmed that GMP is to be made equal for men and women. In 2018, the estimated increase in the Scheme's liabilities was £1.3m, which was recognised as a past service cost in 2018 as a charge to non-underlying items. This estimate remains appropriate for 2019. The actual cost may differ when the GMP equalisation exercise is complete.

The group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2019 (2018: Nil). The total UK defined contribution pension charge for the year was £1.2m (2018: £1.0m).

The group has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have 15 years of employment with the group. The amount of benefit payable depends on the grade of the employee and the number of years of service, up to a maximum of 40 years. Benefits under these schemes only apply to employees who joined the group prior to 1991. These defined benefit retirement obligations are funded on the group's balance sheet and obligations are met as and when required by the group.

The group operates a defined contribution scheme for employees in North America, where the group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was £6.1m (2018: £5.5m).

In Australia, there is a defined contribution scheme where the group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9.5% (2018: 9.5%). The total Australian pension charge for the year was £3.5m (2018: £5.1m).

Details of the group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) 2019 £m	The Keller Group Pension Scheme (UK) 2018 £m	German and Austrian Schemes 2019 £m	German and Austrian Schemes 2018 £m
Present value of the scheme liabilities	(60.4)	(55.2)	(17.7)	(16.5)
Fair value of assets	52.2	45.2	–	–
Deficit in the scheme	(8.2)	(10.0)	(17.7)	(16.5)
Irrecoverable surplus	(1.8)	(1.4)	–	–
Net defined benefit liability	(10.0)	(11.4)	(17.7)	(16.5)

Notes to the consolidated financial statements

continued

31 Retirement benefit liabilities continued

Based on the net deficit of the Scheme as at 31 December 2019 and the committed payments under the Schedule of Contributions signed on 15 June 2018, there is a notional surplus of £1.8m (2018: £1.4m). Management is of the view that, based on the Scheme rules, it does not have an unconditional right to a refund of surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' has been recognised. The level of company contributions is subject to review in 2020.

The value of the Scheme liabilities has been determined by the actuary using the following assumptions:

	The Keller Group Pension Scheme (UK) 2019 %	The Keller Group Pension Scheme (UK) 2018 %	German and Austrian Schemes 2019 %	German and Austrian Schemes 2018 %
Discount rate	2.0	2.9	0.46	1.55
Interest on assets	2.0	2.9	–	–
Rate of increase in pensions in payment	3.4	3.6	2.0	2.0
Rate of increase in pensions in deferment	3.3	3.5	2.0	2.0
Rate of inflation	3.3	3.5	2.0	2.0

The mortality rate assumptions are based on published statistics. The average remaining life expectancy, in years, of a pensioner retiring at the age of 65 at the balance sheet date is:

	The Keller Group Pension Scheme (UK) 2019	The Keller Group Pension Scheme (UK) 2018	German and Austrian Schemes 2019	German and Austrian Schemes 2018
Male currently aged 65	21.7	22.2	20.7	20.6
Female currently aged 65	23.2	23.6	24.1	24.0

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2019 £m	The Keller Group Pension Scheme (UK) 2018 £m	German and Austrian Schemes 2019 £m	German and Austrian Schemes 2018 £m
Equities	17.5	14.2	–	–
Target return funds	14.5	12.7	–	–
Gilts	10.1	9.5	–	–
Bonds	10.0	8.7	–	–
Cash	0.1	0.1	–	–
	52.2	45.2	–	–

	The Keller Group Pension Scheme (UK) 2019 £m	The Keller Group Pension Scheme (UK) 2018 £m	German and Austrian Schemes 2019 £m	German and Austrian Schemes 2018 £m
Changes in scheme liabilities				
Opening balance	(55.2)	(58.9)	(16.5)	(16.4)
Current service cost	–	–	(0.3)	(0.4)
Past service cost in respect of GMP (note 8)	–	(1.3)	–	–
Interest cost	(1.6)	(1.4)	(0.2)	(0.2)
Benefits paid	2.0	2.7	0.7	0.8
Exchange differences	–	–	1.2	(0.3)
Experience gain on defined benefit obligation	–	–	–	–
Changes to demographic assumptions	1.7	0.3	–	–
Changes to financial assumptions	(7.3)	3.4	(2.6)	–
Closing balance	(60.4)	(55.2)	(17.7)	(16.5)
Changes in scheme assets				
Opening balance	45.2	46.1	–	–
Interest on assets	1.3	1.1	–	–
Administration costs	(0.2)	(0.2)	–	–
Employer contributions	2.5	2.4	–	–
Benefits paid	(2.0)	(2.7)	–	–
Return on plan assets less interest	5.4	(1.5)	–	–
Closing balance	52.2	45.2	–	–
Actual return on scheme assets	6.7	(0.4)	–	–
Statement of comprehensive income				
Return on plan assets less interest	5.4	(1.5)	–	–
Changes to demographic assumptions	1.7	0.3	–	–
Changes to financial assumptions	(7.3)	3.4	(2.6)	–
Change in irrecoverable surplus	(0.4)	(1.4)	–	–
Remeasurements of defined benefit plans	(0.6)	0.8	(2.6)	–
Cumulative remeasurements of defined benefit plans	(24.2)	(23.6)	(9.6)	(7.0)
Expense recognised in the income statement				
Current service cost	–	–	0.3	0.4
Past service cost in respect of GMP (note 8)	–	1.3	–	–
Administration costs	0.2	0.2	–	–
Operating costs	0.2	1.5	0.3	0.4
Net pension interest cost	0.3	0.3	0.2	0.2
Expense recognised in the income statement	0.5	1.8	0.5	0.6
Movements in the balance sheet liability				
Net liability at start of year	11.4	12.8	16.5	16.4
Expense recognised in the income statement	0.5	1.8	0.5	0.6
Employer contributions	(2.5)	(2.4)	–	–
Benefits paid	–	–	(0.7)	(0.8)
Exchange differences	–	–	(1.2)	0.3
Remeasurements of defined benefit plans	0.6	(0.8)	2.6	–
Net liability at end of year	10.0	11.4	17.7	16.5

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.2m, whilst a reduction in the inflation assumption of 0.1%, including its impact on the revaluation in deferment and pension increases in payment, would decrease the deficit by £0.8m. An increase in the mortality rate by one year would increase the deficit in the schemes by £4.1m.

Notes to the consolidated financial statements

continued

31 Retirement benefit liabilities continued

The weighted average duration of the defined benefit obligation is approximately 17 years for the UK scheme and 12 years for the German and Austrian schemes. The history of experience adjustments on scheme assets and liabilities for all the group's defined benefit pension schemes are as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Present value of defined benefit obligations	(78.1)	(71.7)	(75.3)	(74.8)	(61.3)
Fair value of scheme assets	52.2	45.2	46.1	43.4	38.2
Deficit in the schemes	(25.9)	(26.5)	(29.2)	(31.4)	(23.1)
Irrecoverable surplus	(1.8)	(1.4)	–	–	–
Net defined benefit liability	(27.7)	(27.9)	(29.2)	(31.4)	(23.1)
Experience adjustments on scheme liabilities	(8.1)	3.7	(1.8)	(11.3)	1.6
Experience adjustments on scheme assets	5.4	(1.5)	3.2	3.9	(1.3)

32 Non-controlling interests

Financial information of subsidiaries that have a material non-controlling interest (NCI) is provided below:

Name	Country of incorporation	2019	2018
Keller Foundations Speciales SPA	Algeria	49%	49%
Keller Turki Company Limited	Saudi Arabia	35%	35%

Profit/(loss) attributable to NCI:

	2019 £m	2018 £m
Keller Foundations Speciales SPA	0.8	0.9
Keller Turki Company Limited	(0.3)	0.1
Other interests	(0.2)	–
	0.3	1.0

Share of NCI net assets:

	2019 £m	2018 £m
Keller Foundations Speciales SPA	4.9	4.1
Keller Turki Company Limited	1.5	1.9
Other interests	(1.1)	(1.1)
	5.3	4.9

Aggregate amounts relating to material NCI:

	2019 £m	2019 £m	2018 £m	2018 £m
	Keller Foundations Speciales SPA	Keller Turki Company Limited	Keller Foundations Speciales SPA	Keller Turki Company Limited
Revenue	6.0	2.0	5.9	2.5
Operating costs	(5.0)	(2.3)	(4.6)	(2.4)
Operating profit	1.0	(0.3)	1.3	0.1
Finance costs	–	–	(0.1)	–
Profit before taxation	1.0	(0.3)	1.2	0.1
Taxation	(0.2)	–	(0.3)	–
Profit/(loss) attributable to NCI	0.8	(0.3)	0.9	0.1

	2019 £m	2019 £m	2018 £m	2018 £m
	Keller Foundations Speciales SPA	Keller Turki Company Limited	Keller Foundations Speciales SPA	Keller Turki Company Limited
Non-current assets	1.9	0.7	2.3	1.1
Current assets	4.9	2.0	6.8	2.0
Current liabilities	(1.9)	(1.2)	(5.0)	(0.8)
Non-current liabilities	–	–	–	(0.4)
Share of net assets	4.9	1.5	4.1	1.9

Notes to the consolidated financial statements

continued

33 Prior year restatement

The accounting policies set out in note 2 were applied in preparing the financial statements for the year ended 31 December 2019 and the comparative information presented for the year ended 31 December 2018. In preparing the consolidated balance sheet for the year ended 31 December 2019, the group restated amounts reported previously in the consolidated financial statements as a result of a change in accounting policy and a reclassification of liabilities as outlined below.

Presented below is a reconciliation of the consolidated balance sheet previously reported as at 31 December 2018 to the 31 December 2019 comparative consolidated balance sheet:

	Notes	2018 Presented £m	2018 Restatements £m	2018 Re-presented £m
Trade and other payables	a	(474.4)	8.6	(465.8)
Provisions	b	(10.8)	(0.2)	(11.0)
Current liabilities		(546.6)	8.4	(538.2)
Provisions	a,b	(14.6)	(27.2)	(41.8)
Non-current liabilities	a,b	(452.9)	(27.2)	(480.1)
Total liabilities	a,b	(999.5)	(18.8)	(1,018.3)
Net assets	a,b	445.3	(18.8)	426.5
Retained earnings	a,b	289.3	(18.8)	270.5
Equity attributable to equity holders of the parent	a,b	440.4	(18.8)	421.6
Total equity	a,b	445.3	(18.8)	426.5

The 31 December 2018 consolidated balance sheet previously reported has been restated as follows:

- The group previously classified legal claims within trade and other payables. This classification has been revised and legal claims have been reclassified to provisions. As a result, trade and other payables have decreased by £8.6m and non-current provisions have increased by £8.6m to reflect the revised classification.
- The group has a captive insurance arrangement whereby contractual claims against the group are held. Recognition of contractual claims more fairly reflect the liability of the group, and as such, a change was made to reflect the requirements of IAS 37. Claims provisions are based on assumptions regarding past claims experience and on assessment by an independent actuary. The total estimated provision as at 31 December 2018 is £18.8m. Current provisions have increased by £0.2m to reflect amounts expected to be settled within one year, and non-current provisions have increased by £18.6m to reflect amounts expected to be settled greater than one year.

34 Post balance sheet events

There were no material post balance sheet events between the balance sheet date and the date of this report.

Company balance sheet

As at 31 December 2019

	Note	2019 £m	2018 £m
Assets			
Tangible fixed assets		0.3	0.4
Investments	2	513.9	514.7
Deferred tax assets		0.4	0.4
Other assets	3	3.4	0.4
Fixed assets		518.0	515.9
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		0.5	0.8
– Amounts falling due after one year		201.4	238.2
Trade and other debtors	4	0.8	0.6
Cash and bank balances		–	4.6
Current assets		202.7	244.2
Bank and other loans		(3.5)	(31.5)
Current tax liabilities		(0.7)	(0.5)
Trade and other creditors	5	(5.3)	(4.6)
Amounts owed to subsidiary undertakings		(0.7)	(1.1)
Creditors: Amounts falling due within one year		(10.2)	(37.7)
Net current assets		192.5	206.5
Total assets less current liabilities		710.5	722.4
Bank and other loans		(157.2)	(170.7)
Amounts owed to subsidiary undertakings		(54.4)	(68.7)
Other creditors	6	(5.0)	(3.8)
Pension liabilities	8	(1.4)	(1.7)
Creditors: Amounts falling due after more than one year		(218.0)	(244.9)
Net assets		492.5	477.5
Capital and reserves			
Called up share capital		7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve		7.6	7.6
Other reserve		56.9	56.9
Retained earnings		382.6	367.6
Shareholders' funds		492.5	477.5

The company's profit for the year was £41.2m (2018: £19.3m).

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 March 2020.

They were signed on its behalf by Michael Speakman, Chief Executive Officer:



Michael Speakman
Chief Executive Officer



Mark Hooper
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 January 2018	7.3	38.1	7.6	56.9	–	373.1	483.0
Profit for the year	–	–	–	–	–	19.3	19.3
Cash flow hedge losses taken to equity	–	–	–	–	1.0	–	1.0
Cash flow hedge transfers to income statement	–	–	–	–	(1.0)	–	(1.0)
Remeasurement of defined benefit pension schemes	–	–	–	–	–	0.1	0.1
Total comprehensive income	–	–	–	–	–	19.4	19.4
Dividends	–	–	–	–	–	(26.3)	(26.3)
Share-based payments	–	–	–	–	–	1.4	1.4
At 1 January 2019	7.3	38.1	7.6	56.9	–	367.6	477.5
Profit for the year	–	–	–	–	–	41.2	41.2
Remeasurement of defined benefit pension schemes	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income	–	–	–	–	–	41.1	41.1
Dividends	–	–	–	–	–	(26.3)	(26.3)
Share-based payments	–	–	–	–	–	0.2	0.2
At 31 December 2019	7.3	38.1	7.6	56.9	–	382.6	492.5

Details of the capital redemption reserve and the other reserve are included in note 26 of the consolidated financial statements.

Of the retained earnings, an amount of £236.8m (2018: £236.8m) attributable to profits arising on an intra-group reorganisation is not distributable.

Notes to the company financial statements

1 Principal accounting policies

Basis of preparation

The separate consolidated financial statements of the company are presented as required by the Companies Act 2006 (the 'Act'). The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council and reports under FRS 101.

Except as noted below, the company's accounting policies are consistent with those described in the consolidated financial statements of Keller Group plc. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, related party transactions and comparative information. Where required, equivalent disclosures are given in the consolidated financial statements. In addition, disclosures in relation to share capital (note 26) and dividends (note 12) have not been repeated here as there are no differences to those provided in the consolidated financial statements.

These consolidated financial statements have been prepared on the going concern basis and under the historical cost convention. The consolidated financial statements are presented in pounds sterling, which is the company's functional currency, and unless otherwise stated have been rounded to the nearest hundred thousand.

Profit of the parent company

The company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year amounted to £41.2m (2018: £19.3m).

Amounts owed by subsidiary undertakings

The company holds inter-company loans with subsidiary undertakings with repayment dates being a mixture of repayable on demand or repayable on a fixed contractual date. These inter-company loans are disclosed on the face of the balance sheet. None are past due nor impaired. The carrying value of these loans approximates their fair value. The expected credit loss on these loans with subsidiary undertakings is expected to be immaterial, both on initial recognition and subsequently.

Financial instruments

Details of the company's risk management processes and hedge accounting are included in the disclosures in note 24 to the consolidated financial statements.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Audit fees

The company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditors as these are disclosed in the consolidated financial statements.

Employees

The company has no employees other than the Directors. The remuneration of the Executive Directors is disclosed in the audited section of the Directors' remuneration report on pages 72 to 86. Fees payable to Non-executive Directors totalled £0.5m (2018: £0.4m).

2 Investments

	2019 £m	2018 £m
Shares at cost		
At 1 January	514.7	364.7
Additions	–	150.0
Allowances for impairment	(0.8)	–
At 31 December	513.9	514.7

The additions during 2018 relate to capital injections into group companies.

The company's investments are included in the disclosures in note 9.

Notes to the company financial statements

continued

3 Other assets

	2019 £m	2018 £m
Fair value of derivative financial instruments	3.4	0.4
	3.4	0.4

4 Trade and other debtors

	2019 £m	2018 £m
Other receivables	0.4	0.2
Prepayments	0.4	0.4
	0.8	0.6

5 Trade and other creditors

	2019 £m	2018 £m
Trade creditors and accruals	4.9	4.0
Accrued interest	0.4	0.5
Fair value of derivative financial instruments	–	0.1
	5.3	4.6

6 Other creditors

	2019 £m	2018 £m
Other creditors	5.0	3.5
Fair value of derivative financial instruments	–	0.3
	5.0	3.8

7 Contingent liabilities

The company and certain of its subsidiary undertakings have entered a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other group companies. At 31 December 2019, the company's liability in respect of the guarantees against bank borrowings amounted to £132.1m (2018: £150.6m). In addition, outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalled £28.8m (2018: £31.2m).

In addition, as set out in note 9, the company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 and exemption from having their consolidated financial statements audited under sections 479A to 479C of the Companies Act 2006.

8 Pension liabilities

In the UK, the company participates in the Keller Group Pension Scheme (the 'Scheme'), a defined benefit scheme, details of which are given in note 31 to the consolidated financial statements. The company's share of the present value of the assets of the Scheme at the date of the last actuarial valuation on 5 April 2017 was £6.8m and the actuarial valuation showed a funding level of 71%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the Scheme, are given in note 31 to the consolidated financial statements. The policy for determining the allocation of each participating company's pension liability is based on where each Scheme member was employed.

In respect of Guaranteed Minimum Pension (GMP) the estimated increase in the Scheme's liabilities was £0.2m. This was recognised as a past service cost in 2018. An irrecoverable surplus of £0.3m has been recognised in 2019 (2018: £0.2m). Please refer to note 31 of the consolidated financial statements for further information on these items.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2019 (2018: £nil).

Details of the company's share of the Scheme are as follows:

	2019 £m	2018 £m
Present value of the scheme liabilities	(9.0)	(8.3)
Present value of assets	7.9	6.8
Deficit in the scheme	(1.1)	(1.5)
Irrecoverable surplus	(0.3)	(0.2)
Net defined benefit liability	(1.4)	(1.7)

The assets of the scheme were as follows:

	2019 £m	2018 £m
Equities	2.7	2.2
Target return funds	2.2	1.9
Gilts	1.5	1.4
Bonds	1.5	1.3
	7.9	6.8

Notes to the company financial statements

continued

8 Pension liabilities continued

	2019 £m	2018 £m
Changes in scheme liabilities		
Opening balance	(8.3)	(9.0)
Past service cost in respect of GMP	–	(0.2)
Interest cost	(0.2)	(0.2)
Benefits paid	0.3	0.4
Changes to demographic assumptions	0.2	0.2
Changes to financial assumptions	(1.0)	0.5
Closing balance	(9.0)	(8.3)
Changes in scheme assets		
Opening balance	6.8	7.0
Interest on assets	0.2	0.2
Employer contributions	0.4	0.4
Benefits paid	(0.3)	(0.4)
Return on plan assets less interest	0.8	(0.4)
Closing balance	7.9	6.8
Actual return on scheme assets	1.0	(0.2)
Statement of comprehensive income		
Return on plan assets less interest	0.8	(0.4)
Changes to demographic assumptions	0.2	0.2
Changes to financial assumptions	(1.0)	0.5
Change in irrecoverable surplus	(0.1)	(0.2)
Remeasurements of defined benefit plans	(0.1)	0.1
Cumulative remeasurements of defined benefit plans	(3.4)	(3.3)
Expense recognised in the income statement		
Net pension interest costs	–	–
Past service cost in respect of GMP	–	0.2
Expense recognised in the income statement	–	0.2
Movements in the balance sheet liability		
Net liability at start of year	1.7	2.0
Expense recognised in the income statement	–	0.2
Employer contributions	(0.4)	(0.4)
Remeasurements of defined benefit plans	0.1	(0.1)
Net liability at end of year	1.4	1.7

The contributions expected to be paid during 2020 are £0.4m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Present value of defined benefit obligations	(9.0)	(8.3)	(9.0)	(8.8)	(7.6)
Fair value of scheme assets	7.9	6.8	7.0	6.5	6.0
Deficit in the scheme	(1.1)	(1.5)	(2.0)	(2.3)	(1.6)
Irrecoverable surplus	(0.3)	(0.2)	–	–	–
Net defined benefit liability	(1.4)	(1.7)	(2.0)	(2.3)	(1.6)
Experience adjustments on scheme liabilities	(0.8)	0.7	(0.5)	(1.2)	0.2
Experience adjustments on scheme assets	0.8	(0.4)	0.6	0.3	(0.2)

9 Group companies

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 December 2019 is disclosed below. Unless otherwise stated, each of the subsidiary undertakings is wholly owned through ordinary shares by intermediate subsidiary undertakings.

All of the subsidiary undertakings are included within the consolidated financial statements.

All trading companies are engaged in the principal activities of the group, as defined in the Director's report.

Name	Full address	Name	Full address
Accrete Industrial Flooring Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom	EB Keller Holding Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
Accrete Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom	Fondedile Foundations UK Ltd	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Anderson Drilling Inc.	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States	Franki Geotechnical (Pty) Limited ²	16 Industry Road, Clayville Industrial Olifantsfontein, 1666 Johannesburg, South Africa
Anderson Manufacturing, Inc.	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States	Franki Pacific Holdings Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Ansah Asia Sdn Bhd	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia	Frankipile (Mauritius) International Limited	Geoffrey Road, Bambous, Mauritius
Austral Construction Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Frankipile Australia Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Austral Group Holdings Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Frankipile Botswana (Pty) Limited	First floor, Plot 64518, Fairgrounds Office Park, Gaborone, Botswana
Austral Investors Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Frankipile D.R.C. SARL ³	C/O PricewaterhouseCoopers, BCDC Building, 1st floor, No.285 Mwepu Street, Lubumbashi, Katanga, Congo
Austral Plant Services Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Frankipile Ghana Limited	C205/21 Didebaal link, Abelemkpe, Accra, Ghana
Bencor Global, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Frankipile International Projects Limited	C/O DTOS Ltd, 10th floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius
Capital Insurance Limited ¹	1st Floor Goldie House, 1 – 4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man	Frankipile Mauritius International (Seychelles) Limited	Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
Case Atlantic Company	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, MD, 210793, United States	Frankipile Mocambique Limitada	Bairro da Matola D, Avenida Samora Michel nr. 393, Matola, Mozambique
Case Foundation Company	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, MD, 210793, United States	Frankipile Namibia (Pty) Limited	2nd floor, LA Chambers, Ausspans Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
Cyntech Anchors Ltd.	c/o Blakes, Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC, V7X 1L3, Canada	Frankipile Swaziland (Pty) Limited	Umkhiwa House, 195 Kal Grant Street, Mbabane, Swaziland
Cyntech Construction Ltd.	4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada	GENCO Geotechnical Engineering Contractors Limited ¹	Sheraton Buildings-Plot 10, Block 1161 Cairo, Cairo, Egypt
Cyntech U.S. Inc.	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States	GEO Instruments Polska Sp. z o.o.	Lysakow Drugi nr 47, 28-300 Jedrzejow, Poland
EB Construction Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States	Geochemical Corporation	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, MD, 210793, United States
		GEO-Instruments Sarl	8 Allee des Ginkgos Parc d'Activites du Chene, Activillage 69673 Bron Cedex, France

Notes to the company financial statements

continued

9 Group companies continued

Name	Full address
GEO-Instruments, Inc.	The Corporation Trust Incorporated, 2405 York Road, Suite 201, Lutherville Timonium, MD, 210793, United States
GeTec Ingenieurgesellschaft für Informations- und Planungstechnologie mbH	Mausegatt 45, 44866 Bochum, Germany
Hayward Baker, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
HB Puerto Rico, L.P.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
HJ Foundation Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
HJ Keller Holding Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
Keller (M) Sdn Bhd	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
Keller Asia Pacific Limited	72, Anson Road #11-03, Anson House, Singapore, 079911
Keller Australia Pty Limited ⁴	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Canada Holdings Ltd.	Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Canada Services Ltd	Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Central Asia LLP	21B/4 Satpayev St., Atyrau, 060006, Kazakhstan
Keller Cimentaciones Chile, SpA	Avenida Providencia 1208 Of-409 7500571 Providencia, Santiago de Chile, Chile
Keller Cimentaciones de Latinoamerica SA de CV	Av. Presidente Masaryk 101, Int. 402, Bosques de Chapultepec Seccion Delegacion Miguel Hidalgo, 11580 CDMX, Mexico
Keller Cimentaciones SAC	Avenida Javier Prado Oeste, 203, Urbanizacion San Isidro, Departamento San Isidro, Lima, Peru
Keller Cimentaciones, S.L.U.	Calle de la Argentina, 15, 28806 Alcalá de Henares, Madrid, Spain
Keller Colcrete Limited	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Keller Egypt LLC	Sheraton Buildings, Bld. 2, El Mosheer Ahmed Ismail Street, Nozha Square, 1159 Cairo, Egypt

Name	Full address
Keller EMEA Limited ¹	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller Establishment	PO Box 6019, ADNIB Building, 4th Floor, Corniche Road, Abu Dhabi, United Arab Emirates
Keller Finance Australia Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller Finance Ireland Unlimited Company	12 Merrion Square, Dublin 2, Ireland
Keller Finance Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller Financing	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller Fondations Speciales SAS	2 rue Denis Papin, 67120, Duttlenheim, France
Keller Fondations Speciales SPA ⁵	No. 35, Route de Khmiss El Khechna, Sbâat, 16012 Rouiba, w. Alger, Algeria
Keller Fondazioni S.r.l	Via della Siderurgia 10, Verona, I-37139, Italy
Keller Foundations (SE Asia) Pte Ltd	18 Boon Lay Way, #04-104, Tradehub 21, 609966, Singapore
Keller Foundations Limited	Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Foundations Vietnam Company Limited	24 Dang Thai Mai Street, Ward 7, Phu Nhuan District, Ho Chi Minh City, Vietnam
Keller Foundations, LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Funderingstechnieken B.V.	Europalaan 16, 2408 BG, Alphen aan den Rijn, Netherlands
Keller Funderingsteknik Danmark ApS	Lottenborgvej 24, 2800 Kongens Lyngby, Denmark
Keller Geo-Fundações, Sociedade Unipessoal, Lda	Estrada do Porto da Areia 2600-675, Freguesia da Castanheira, Conchelcho de Vilafranca de Xira, Portugal
Keller Geotechnica Srl	Bucuresti Sectorul 1, Str., Uruguay, Nr. 27, Etaj 1, Ap. 2, Romania
Keller Geoteknikk AS	Hovfaret 13, Oslo, 0275, Norway
Keller Ground Engineering Bangladesh Limited	661/3 Ashkona Bazar, Hazi Camp, Dhakinkhan, Dhaka-1230, Bangladesh, Dhaka, Bangladesh
Keller Ground Engineering India Private Limited	7th Floor, Eastern Wing, Centennial Square 6A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India
Keller Ground Engineering LLC ⁶	Office # 14, Building # 700 Boushar Street 51, Oman

Name	Full address
Keller Ground Engineering Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Grundbau Ges.m.b.H.	Guglgasse 15, BT4a/3.OG, Vienna, 1110, Austria
Keller Grundbau GmbH	Kaiserleistrasse 8, Offenbach am Main, 63067, Germany
Keller Grundlaggning AB	Östra Lindomev 50, 437 34, Lindome, Sweden
Keller Hellas S.A.	Keller Hellas S.A. Antheon 102, GR-57019 N. Epivates-Thessaloniki, Greece
Keller Holding GmbH	Kaiserleistrasse 8, Offenbach am Main, 63067, Germany
Keller Holdings Limited ¹	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller Holdings, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
Keller Investments LLP	5th Floor, 1 Sheldon Square, London, W2 6TT, United Kingdom, United Kingdom
Keller Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Keller Melyepito Kft	1124 Budapest, Csörsz utca 41. 6. em., Hungary
Keller National Plant Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
Keller Polska Sp. z o.o.	ul. Poznanska172, Ozarow Mazowiecki, PL-05805, Poland
Keller Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Qatar L.L.C. ⁷	Al Matar Center – Old Airport Road, Street No. 310, Building No. 272, 2nd Floor, Office No. 49, PO Box 207027 Doha, Doha, Qatar
Keller Resources Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Keller speciálne zakladani spol.s.r.o.	Na Pankraci 30, 14000 Praha 4, Czech Republic
Keller speciálne zakladanie spol.s.r.o.	Hranica 18 – AB 6, 82105 Bratislava, Slovakia
Keller Tecnogeo Fundacoes Ltda	Av. Queiroz Filho, 1.560, Vila Hamburguesa, escritorio 23G, Vila G5, CEP 05319-000, City of São Paulo, State of São Paulo, Brazil
Keller Turki Company Limited ⁸	PO Box 718, Dammam, 31421, Saudi Arabia
Keller Ukraine LLC	30, Vasylykivska Street, Kiev, 03022, Ukraine

Name	Full address
Keller West Africa S.A.	Autoroute du Nord, PK 22, Allokoi, district de Yopougon, 01 BP 7534 – Abidjan 01, Ivory Coast
Keller Zemin Mühendisligi Limited Sirketi	Harbiye Mah. Tesvikiye Caddesi No.17, D:13 İkbal Ticaret Merkezi, 34365 Sisli, Istanbul, Turkey
Keller-MTS AG	Sonnenbergstrasse 51, Ennetbaden, 5408, Switzerland
KFS Finland Oy ⁹	Haarakaari 42, Tuusula, 04360, Finland
KGS Keller Gerate & Service GmbH	Kaiserleistrasse 8, Offenbach am Main, 63067, Germany
Makers Holdings Limited ¹	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Makers Management Services Limited ¹	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Makers Services Limited	5th floor, 1 Sheldon Square, London, W26TT, United Kingdom
Makers UK Limited	5th Floor, 1 Sheldon Square, London, W2 6TT, United Kingdom, United Kingdom
Mckinney Drilling Company, LLC	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
McKinney Woodstock LLC	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
Moretrench American Corporation	The Corporation Trust Company, 820 Bear Tavern Road, West Trenton, NJ, 08628, United States
Moretrench Australian Pty Ltd	c/o Corporation Service Co., Level 3, Podium, 530 Collins Street, Melbourne VIC 3000, Australia
Moretrench Industrial Inc.	The Corporation Trust Company 820 Bear Tavern Road, West Trenton, NJ, 08628, United States
Nesur Tecnologia Servicios S.A.	Union Mercantil LA, Num.33, Portal 1, Planta 5, Puerta C, 29004 Malaga, Spain
North American Foundation Engineering Inc.	Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
PHI Group Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Pile Test International Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Piling Contractors New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
Piling Contractors Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
PT. Keller Franki Indonesia ¹⁰	Gedung Graha Kencana Lantai 7, Unit B-I, Jalan Raya Perjuangan No. 88, Kebon Jeruk, Jakarta Barat, 11530, Indonesia

Notes to the company financial statements

continued

9 Group companies continued

Name	Full address	Name	Full address
Resource Piling (M) Sdn. Bhd.	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia	The Concrete Doctor, Inc.	CT Corporation System, 208 SO LaSalle St, Suite 814, Chicago, IL, 60604, United States
Resource Piling Pte Ltd	18 Boon Lay Way, #04-113, Tradehub 21, 609966, Singapore	Trenco Insurance Co., Ltd.	c/o Willis Management (Cayman), Ltd. PO Box 30600, Grand Cayman, KY1-1203, Cayman Islands.
Seaboard Foundations, Inc.	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States	Vibro-Pile (Aust.) Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Suncoast Post-Tension, Ltd.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Wannenwetsch GmbH Hochdruckwassertechnik	Wolfgrube 7, 98617 Meiningen, Germany
Terratest-Keller J.V. SAPI de CV ¹¹	Presidente Masaryk 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico	Waterway Constructions Group Pty Limited	Level 1, 104-108 Victoria Road, Rozelle, NSW, 2039, Australia
		Waterway Constructions Pty Ltd	Level 1, 104-108 Victoria Road, Rozelle, NSW, 2039, Australia

1 Owned directly by the company.

2 Share capital consists of 75.1% Ordinary shares, 10% ordinary A shares and 14.9% ordinary B shares. Keller Holdings Limited owns 100% of the ordinary shares.

3 99% owned by Frankpile International Projects Limited.

4 Ownership consists of 15% ordinary A shares, 10% ordinary B shares and 75% ordinary C shares.

5 51% owned by Keller Fondations Speciales SAS and other Keller companies.

6 70% owned by Keller Holdings Limited.

7 49% owned by Keller Holdings Limited.

8 65% owned by Keller Grundbau GmbH.

9 Joint venture 50% owned by Keller Grundlagging AB, based in Tuusula, Finland. The company is managed jointly by an equal number of directors from each of the two shareholder companies.

10 Share capital consists of 56% class A shares and 44% class B shares. Keller Foundations (SE Asia) Pte Limited owns 100% of the class A shares and 25% of the class B shares.

11 Joint venture 50% owned by Keller Cimentaciones de Latinoamerica SA de CV Mexico, based in Mexico DF. No longer trading and due to be dissolved.

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from having to prepare individual accounts under Section 394A and Section 394C of the Companies Act 2006 in respect of the year ended 31 December 2019:

Company	Registered number
Keller Financing	04592933
Keller EMEA Limited	02427060
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Sections 479A to 479C of the Companies Act 2006 in respect of the year ended 31 December 2019:

Company	Registered number
Keller Holdings Limited	02499601
Keller Finance Limited	02922459
Keller Investments LLP	OC412294

Adjusted performance measures

The group's results as reported under International Financial Reporting Standards (IFRS) and presented in the consolidated financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout the Annual Report and Accounts to describe the group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year.

Underlying measures

The term 'underlying' excludes the impact of items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions (collectively 'non-underlying items'), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying items are disclosed separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the group.

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2018 results of overseas operations into sterling at the 2019 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 8 to the consolidated financial statements. A reconciliation between the 2018 underlying result and the 2018 constant currency result is shown below and compared to the underlying 2019 performance:

Revenue by segment

	2019		2018		Statutory change %	Constant currency change %
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m		
North America	1,333.9	1,161.4	43.3	1,204.7	+15%	+11%
Europe, Middle East and Africa	679.6	668.2	(3.1)	665.1	+2%	+2%
Asia-Pacific	287.0	394.9	(4.1)	390.8	-27%	-27%
Group	2,300.5	2,224.5	36.1	2,260.6	+3%	+2%

	2019		2018		Underlying change %	Constant currency change %
	Underlying IAS 17 basis £m	Underlying IAS 17 basis £m	Impact of exchange movements £m	Constant currency £m		
North America	77.3	78.6	3.2	81.8	-2%	-6%
Europe, Middle East and Africa	28.1	39.7	0.8	40.5	-29%	-31%
Asia-Pacific	2.8	(18.0)	(0.6)	(18.6)	n/a	n/a
Central items	(6.4)	(3.7)	(0.1)	(3.8)	-73%	-68%
Group	101.8	96.6	3.3	99.9	+5%	+2%

Adjusted performance measures

continued

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

Other adjusted measures

Where not presented and reconciled on the face of the consolidated income statement, consolidated balance sheet or consolidated cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA

	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m
Underlying operating profit	103.8	101.8	96.6
Depreciation of owned property, plant and equipment	68.4	68.4	69.7
Depreciation of right-of-use assets	25.6	–	–
Amortisation of intangible assets	0.6	0.6	1.2
Underlying EBITDA	198.4	170.8	167.5
Non-underlying items in operating costs	(28.7)	(28.7)	(64.2)
Non-underlying items in other operating income	3.3	3.3	0.5
EBITDA	173.0	145.4	103.8

Net finance costs

	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m
Finance income	(0.8)	(0.8)	(0.6)
Underlying finance costs	23.3	19.0	16.7
Underlying net finance costs	22.5	18.2	16.1
Non-underlying finance costs	–	–	0.5
Net finance costs	22.5	18.2	16.6

Net capital expenditure

	2019 £m	2018 £m
Acquisition of property, plant and equipment	62.2	85.1
Acquisition of other intangible assets	0.7	0.5
Proceeds from sale of property, plant and equipment	(10.9)	(8.5)
Net capital expenditure	52.0	77.1

Net debt

	2019 IFRS 16 basis £m	2019 IAS 17 basis £m	2018 IAS 17 basis £m
Current loans and borrowings	41.0	15.3	42.8
Non-current loans and borrowings	347.7	296.7	353.9
Cash and cash equivalents	(98.9)	(98.9)	(110.5)
Net debt	289.8	213.1	286.2

Order book

The group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The group's order book is not a measure of past performance and therefore cannot be derived from its consolidated financial statements. The group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book.

Financial record

	2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015 €m	2016 €m	2017 €m	2018' €m	2019' €m
Consolidated income statement										
Continuing operations										
Revenue	1,068.9	1,154.3	1,317.5	1,438.2	1,599.7	1,562.4	1,780.0	2,070.6	2,224.5	2,300.5
Underlying EBITDA	85.0	71.4	91.9	124.2	141.9	155.5	158.6	177.2	167.5	198.4
Underlying operating profit	43.3	28.9	48.3	77.8	92.0	103.4	95.3	108.7	96.6	103.8
Underlying net finance costs	(3.7)	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)	(22.5)
Underlying profit before taxation	39.6	21.9	43.5	74.1	85.1	95.7	85.1	98.7	80.5	81.3
Underlying taxation	(11.0)	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)	(22.4)
Underlying profit for the year	28.6	16.4	30.0	50.3	55.4	62.7	55.3	74.0	58.0	58.9
Non-underlying items ³	(17.1)	–	–	(20.2)	(56.6)	(36.4)	(7.3)	13.5	(71.8)	(37.2)
Profit/(loss) for the year	11.5	16.4	30.0	30.1	(1.2)	26.3	48.0	87.5	(13.8)	21.7
Consolidated balance sheet										
Working capital	106.7	119.8	97.6	124.1	104.1	97.1	152.5	181.3	225.4	210.5
Property, plant and equipment	275.0	266.1	248.5	281.9	295.6	331.8	405.6	399.2	422.0	460.6
Intangible and other non-current assets	122.9	116.4	112.1	202.8	203.4	183.0	218.2	198.3	179.5	150.8
Net debt (statutory)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(289.8)
Other net assets/liabilities	(79.8)	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)	(77.1)	(114.2)	(134.6)
Net assets	330.8	326.8	335.7	372.6	346.3	334.0	429.6	472.2	426.5	397.5
Net debt (IAS 17 basis)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(213.1)
Underlying key performance indicators										
Diluted earnings per share from continuing operations (p)	43.2	24.4	45.0	71.9	74.2	85.4	74.8	101.8	79.1	81.3
Dividend per share (p)	22.8	22.8	22.8	24.0	25.2	27.1	28.5	34.2	35.9	40.0
Operating margin	4.1%	2.5%	3.7%	5.4%	5.8%	6.6%	5.4%	5.2%	4.3%	4.5%
Return on capital employed ⁴	10.2%	6.6%	11.6%	16.7%	18.3%	20.5%	15.3%	15.1%	13.2%	14.4%
Net debt: EBITDA (statutory)	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.5x
Net debt: EBITDA (IAS 17 basis)	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.2x

1 Working capital and net assets and return on capital employed presented here do not agree to the published 2018 consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 33 to the financial statements.

2 The group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of adoption. Consequently, comparative information has not been restated. 2019 figures presented here are on an IFRS 16 basis, unless specified otherwise.

3 Non-underlying items are items which are exceptional by their size or non-trading nature and are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial position of the group.

4 Calculated as operating profit expressed as a percentage of average capital employed. 'Capital employed' is net assets before non-controlling interests plus net debt and net defined benefit pension liabilities.

Our offices

Head office

Keller Group plc

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North America Division

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Maryland 21076
Telephone: +1 410 551 1938
www.keller-na.com

EMEA Division

Keller Holding GmbH

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63067 Offenbach
Germany
Telephone: +49 69 80510
www.kellerholding.com

Asia-Pacific Division

Keller AsiaPacific Limited

18 Boon Lay Way
#04-104 Tradehub 21
609966 Singapore
Telephone: +65 6444 6730
www.kelleraasian.com

Secretary and advisors

Group Company Secretary and Legal Advisor

Kerry Porritt FCG LLB (Hons)

Registered office

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Registered number

2442580

Joint brokers

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Investec

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London EC2V 7QP

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Legal advisors

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Finsbury

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London WC2N 6HT

Registrars

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Cautionary statement

This document contains certain forward-looking statements with respect to Keller's financial condition, results of operations and business, and certain of Keller's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include, but are not limited to, changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates. For a more detailed description of these risks, uncertainties and other factors, please see the risk management approach and principal risks section of the strategic report.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward-looking statements.

Nothing in this document should be regarded as a profits forecast.

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